



# ENTREPRENEURSHIP & ETHICS

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The word Entrepreneur is derived from the French word “Entreprendre” which means “to undertake” .



# Top 10 Indian Entrepreneurs

- 1. Dhirubhai Ambani( Reliance group )
- 2. Jehangir Ratanji Dadabhoy Tata ( Tata Group )
- 3. Nagavara Ramarao Narayana Murthy (Infosys )
- 4. Shiv Nadar (founded HCL Infosystems)
- 5. Lakshmi Niwas Mittal ( Steel Industry )
- 6. Ghanshyam Das Birla (Founder of Birla group )
- 7. Dilip Shanghvi(Sun Pharmaceutical)
- 8. Azim Premji (Wipro Industries)
- 9. Mukesh Jagtiani(Retail and real estate giant Landmark)
- 10. Ardeshir Godrej( Co founder of Godrej)

# ENTREPRENEUR



As per Oxford Dictionary

A person who sets up a business or businesses , taking on financial risks in the hope of profit.



- **As per Peter F. Drucker:**

**The entrepreneur as the one who always searches for change , responds to it and exploits it an opportunity.**

# ETHICS



- *Ethics* is a system of moral principles.
- They affect how people make decisions and lead their lives. *Ethics* is concerned with what is good for individuals and society and is also described as moral philosophy.

# ENTREPRENEURSHIP

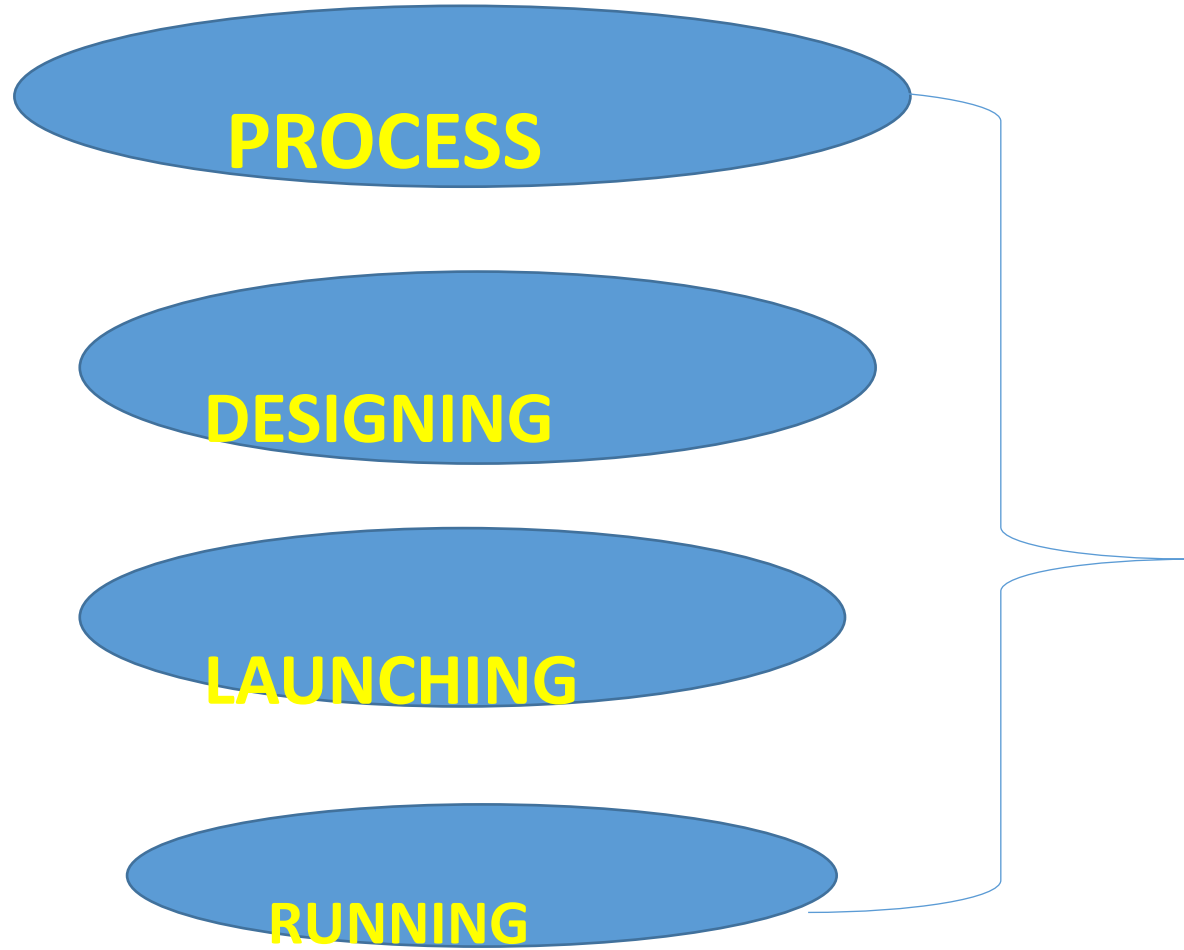


**PROCESS**

**DESIGNING**

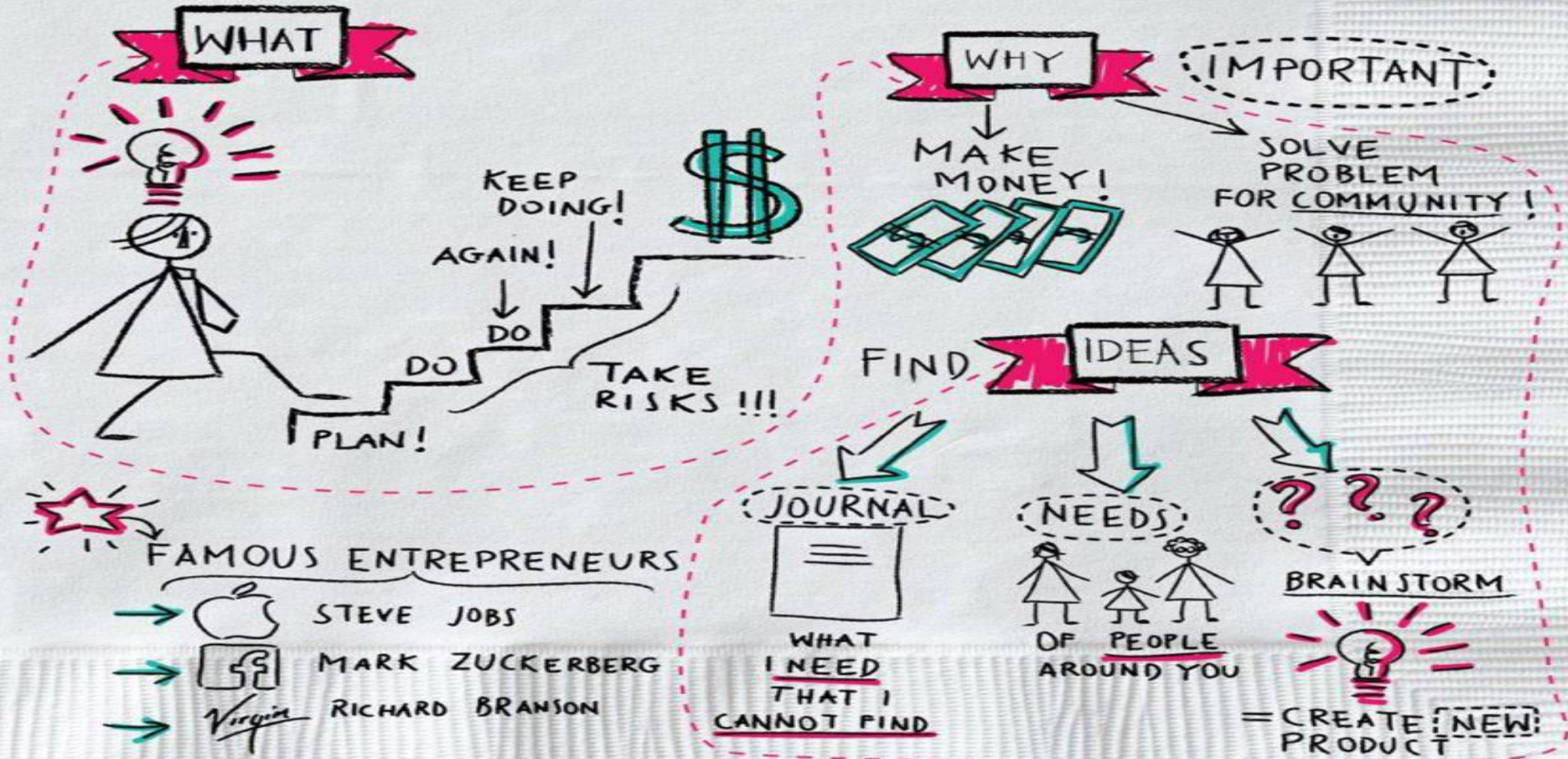
**LAUNCHING**

**RUNNING**





# ENTREPRENEURSHIP



# ENTREPRENEURSHIP



- It is the individual process of an entrepreneur .
- It is the process of identifying opportunities in the market place, arranging the resources required to pursue these opportunities and investing the resources to exploits the opportunities for long term gains.

<b>S.NO</b>	<b>ENTREPRENEUR</b>	<b>ENTREPRENEURSHIP</b>
<b>1.</b>	<b>PERSON</b>	<b>PROCESS</b>
<b>2.</b>	<b>VISUALIZER</b>	<b>VISION</b>
<b>3.</b>	<b>ORGANIZER</b>	<b>ORGANIZATION</b>
<b>4.</b>	<b>DECISION MAKER</b>	<b>DECISION MAKING</b>
<b>5.</b>	<b>RISK BEARER</b>	<b>RISK BEARING</b>
<b>6.</b>	<b>MOTIVATOR</b>	<b>MOTIVATION</b>

<b>7.</b>	<b>CREATOR</b>	<b>CREATION</b>
<b>8</b>	<b>LEADER</b>	<b>LEADERSHIP</b>
<b>9.</b>	<b>MANAGER</b>	<b>MANAGEMENT</b>
<b>10</b>	<b>INITIATOR</b>	<b>INITIATION</b>
<b>11.</b>	<b>PLANNER</b>	<b>PLANNING</b>
<b>12</b>	<b>TECHNICIAN</b>	<b>TECHNOLOGY</b>
<b>13</b>	<b>COMMUNICATOR</b>	<b>COMMUNICATION</b>
<b>14</b>	<b>ADMINISTRATOR</b>	<b>ADMINISTRATION</b>



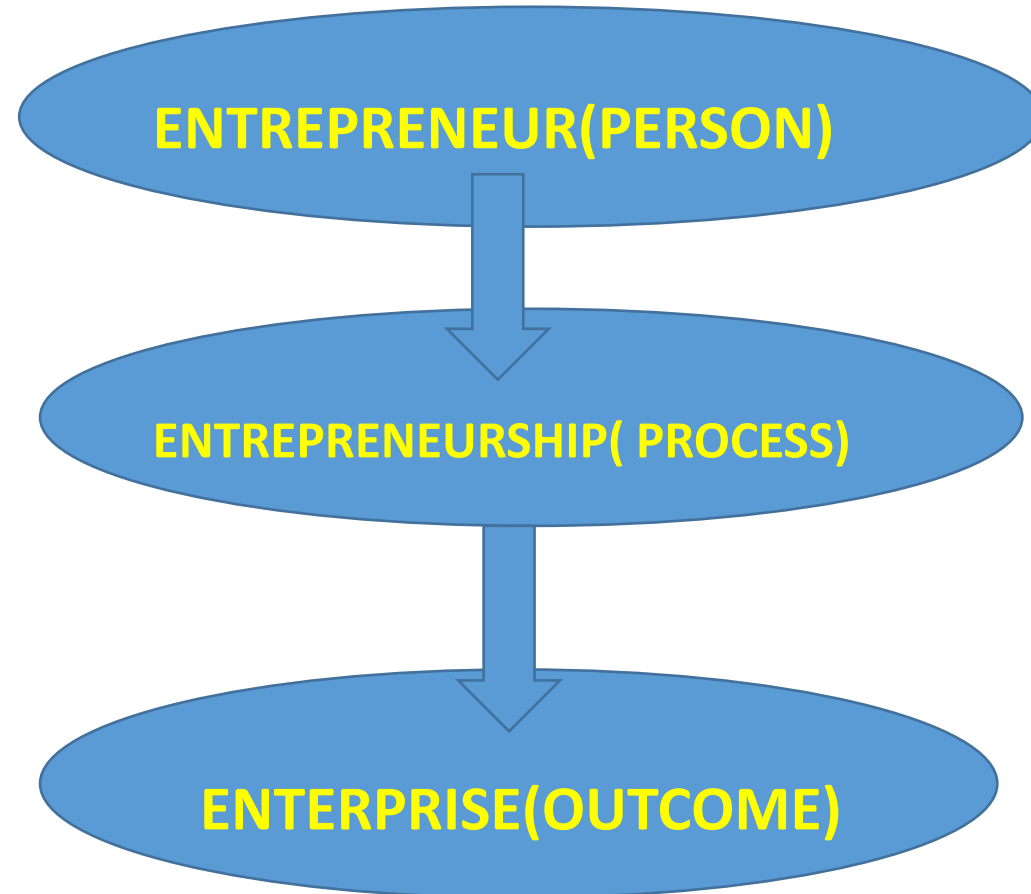
# Enterprise



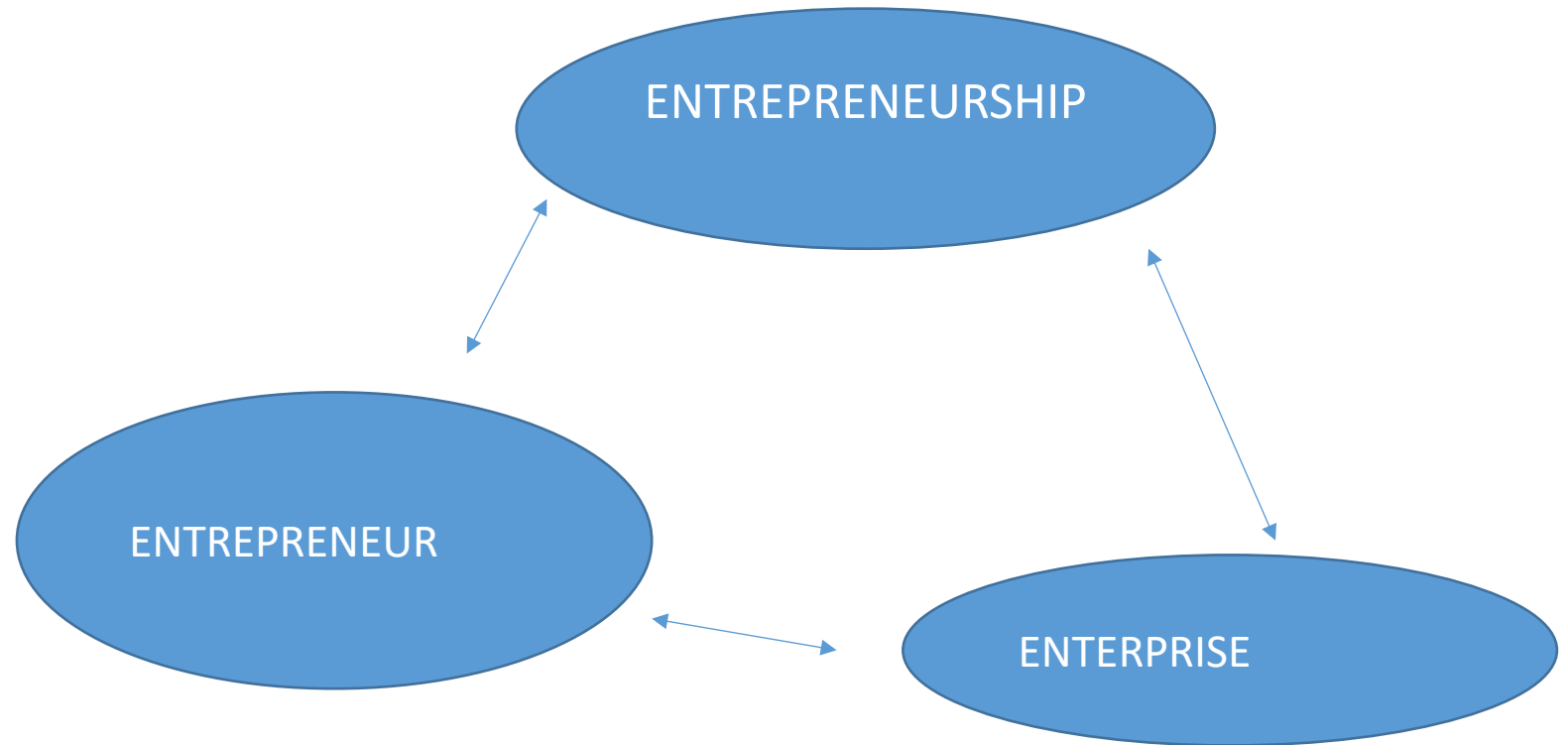
**Enterprise simply means an economic organization or activity .**

**It may also be called a place of business of an entrepreneur or an individual.**

**Here it is considered as a business organization.**



# Cycle of entrepreneurship





# Online courses

- [SWAYAM.GOV.IN](http://SWAYAM.GOV.IN)
- [Coursera.gov.in](http://Coursera.gov.in)
- [Khanacademy.org](http://Khanacademy.org)
- [Udemy.com](http://Udemy.com)
- [e pathshala.nic.in](http://e.pathshala.nic.in)
- [nroer.gov.in](http://nroer.gov.in)

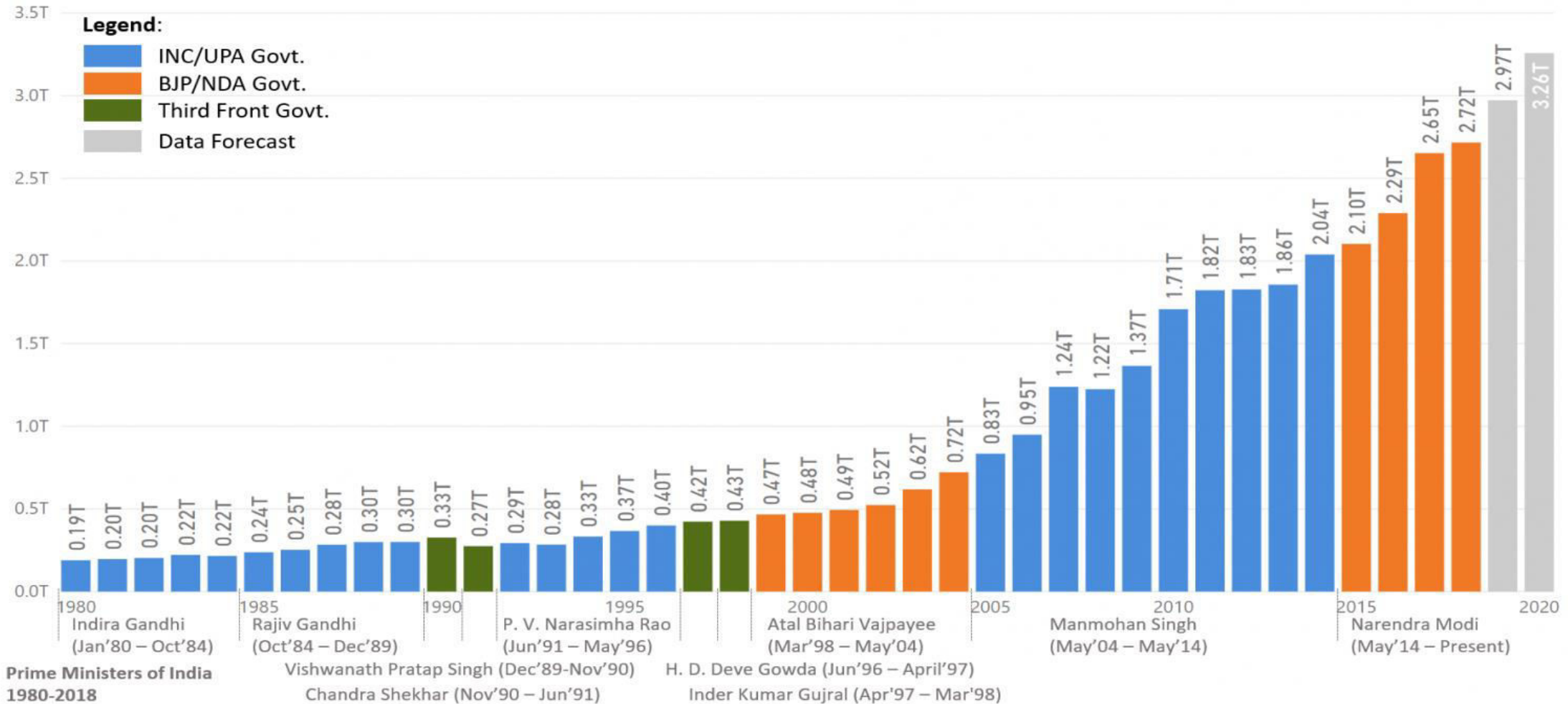
# NEED OF ENTREPRENEURSHIP



- ENTREPRENEURSHIP IS IMPORTANT OF NATIONAL GROWTH & SOCIAL DEVELOPMENT
  - 1.LIFE LINE OF A NATION
  2. PROVIDE INNOVATION
  - 3.GROWTH OF ECONOMY
  - 4.INCREASED PROFIT
  - 5.EMPLOYMENT OPPORTUNITIES
  - 6.SOCIAL BENEFIT

# India GDP

GDP in current prices (trillions of US dollars)

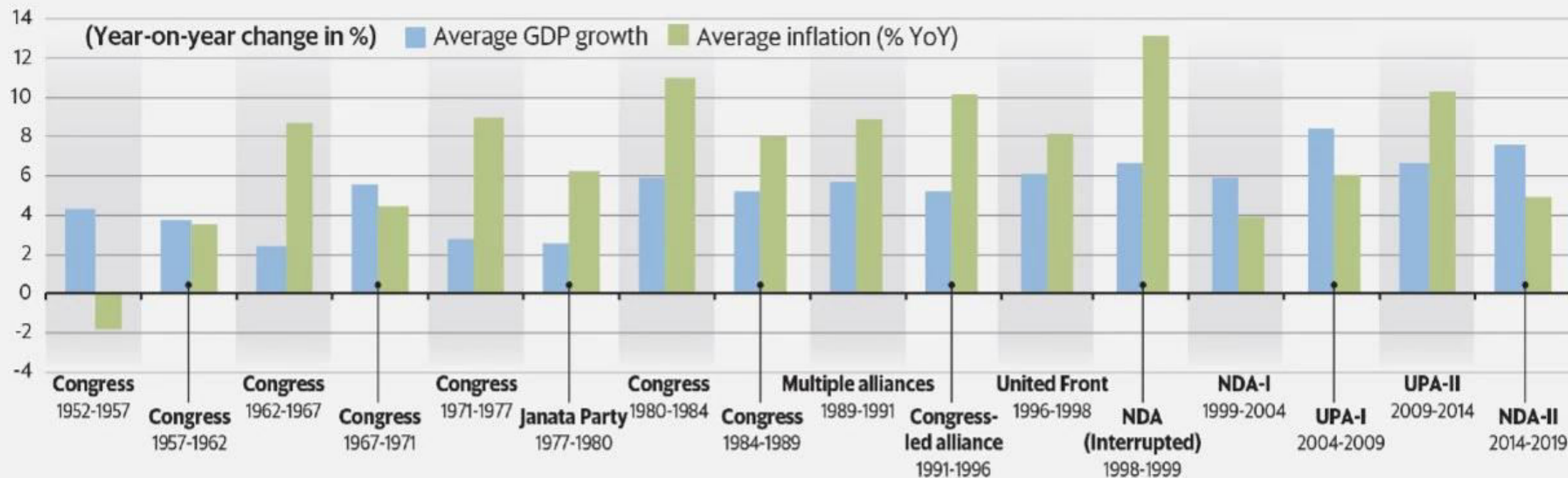


Data Source: IMF World Economic Outlook, April 2019

Data Analysis by: MGM Research  
Chart Prepared on: April 15, 2019

# ECONOMIC PERFORMANCE OF ALL GOVERNMENTS

India's GDP grew at the slowest pace between 1962 and 1967, a period when the country went to war with China.

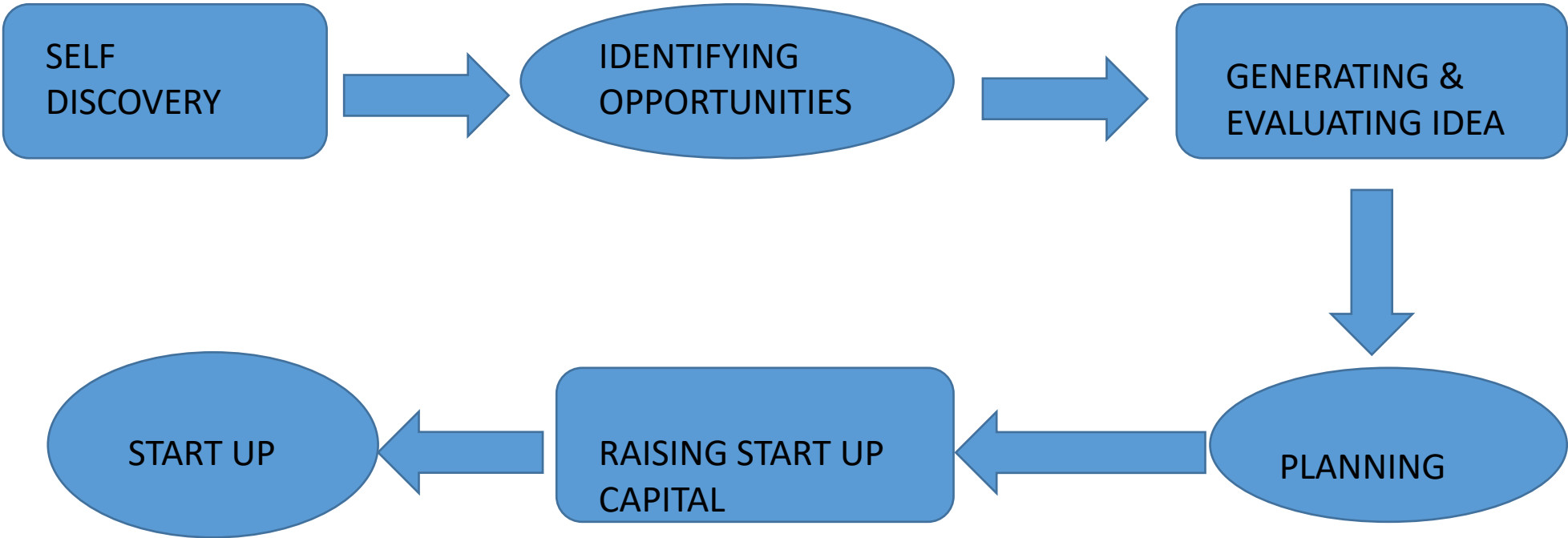


Notes: 1) GDP (Gross Domestic Product) has been considered at factor cost (old series) till 2013-14 and at market prices (new series) for 2014-2019  
 2) Inflation for the period 1952-1962 has been measured using WPI, and for other years, CPI-IW has been used since it provides the longest time series data on inflation in India

Source: RBI, CMIE, 'An Analysis of Inflation in India 1950-75', by V. Pandit, Indian Economic Review 1978, Mint calculations



# ENTREPRENEURSHIP PROCESS





# ENTREPRENEURSHIP PROCESS

- SELF DISCOVERY
- IDENTIFYING OPPORTUNITIES
- GENERATING & EVALUATING IDEA
- PLANNING
- RAISING START UP CAPITAL
- START UP
- GROWTH
- HARVESTING

# STARTUP INDIA SCHEME



- Startup India is an initiative of Govt of India.
- The campaign was first announced by prime minister Mr. Narendra Modi in his speech on 15 aug 2015



# Tips for Streamlining the Business Start-Up Process



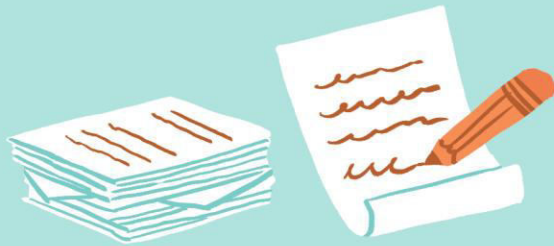
Make sure entrepreneurship is what you want



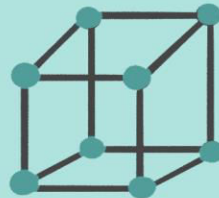
Decide what kind of business you want



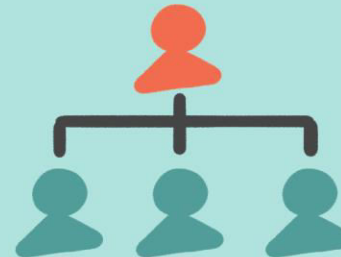
Research your idea



Write a business plan



Choose your business structure



Assemble your team



Handle paperwork



# 9 funding options

- 1. self funding
- 2. crowd funding as a funding option
- 3. Get angel investment in your startup
- 4. Get venture capital for your business
- 5. Get funding from business incubators and accelerators
- 6. Raise funds by winning contests
- 7. Raise money through bank loans
- 8. Get business loans NBFCs
- 9. Government programs that offering startup capital



# Central Govt schemes

1. Bank of Ideas and innovations programs
2. Pradhan mantra micro units development and refinance agency limited( MUDRZ)
3. SIDBI ( Small industries & development bank of India )



# State Govt schemes

1. Kerala state self entrepreneur development mission (KSSDM)
2. Maharashtra centre for entrepreneurship development
3. Rajasthan start up fest

# Innovative activities performed by Entrepreneur





# Innovative activities performed by Entrepreneur

- **Implement the innovative Activity**
- **Strategy formulation and adoption**
- **Monitoring the activities**

# Several Innovative activities performed by Entrepreneur



- 1. Implement the innovative Activity:** To implement an innovative activity, like entering to a new market to increase market share and turnover, the entrepreneur first conceives the concept and fully identifies it.

Ex: DOMESTIC MARKET to INTERNATIONAL BUSINESS



**2. Strategy formulation and adoption:** In this stage he analyses the strategy or his innovation idea and assesses and calculates the risks he has to bear when the project is implemented . He also analyses whether the risk taking is profitable or not.

EX: KFC , INFOSYS IN CHINA



**3. Monitoring the activities:** By adopting solutions for problems in the final stage he monitors the activities.

He makes corrections then and there if requires and watches the progress. If he feels that his idea is giving positive result, he strengthens the process by some more actions.

Ex: KIA motors in India

*Differences Between*



# ENTREPRENEUR AND MANAGER



# DISTINCTION BETWEEN AN ENTREPRENEUR AND MANAGER



S. NO	ENTREPRENEUR	MANAGER
1.	An Entrepreneur starts a venture by setting up a new enterprise for his personal gratification	The main aim of manager is to render his service in an enterprise already set up by someone
2.	Entrepreneur is the owner of the enterprise	A manager is the servant in the enterprise
3.	An entrepreneur bears all risks and uncertainty involved in the enterprise.	A manager does not bear any risk involved in the enterprise.

S.NO	ENTREPRENEUR	MANAGER
4.	Entrepreneur receives profits. It is not only uncertain and irregular but can at times be negative	A Manager receives salary as rewards for service which is fixed and regular . It can never be negative.
5	As an innovator he is called as change agent , who introduces goods and services to meet the changing needs of the customer.	A manager executes the plans of the entrepreneur . Thus a manager translates his ideas into practice.

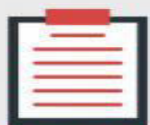
# EMPLOYEE VS ENTREPRENEUR

EMPLOYEE



VS

ENTREPRENEUR



**WORK**

"Something to get away from"



**SERIOUS EFFORT**

"Something to do for a short period of time"



**WORK**

"Something to be excited about"



**SERIOUS EFFORT**

"Something to do all the time"



**SUPPORT**

"Something they deserve"



**INCOME**

"Something to be received immediately"



**SUPPORT**

"Something they create"

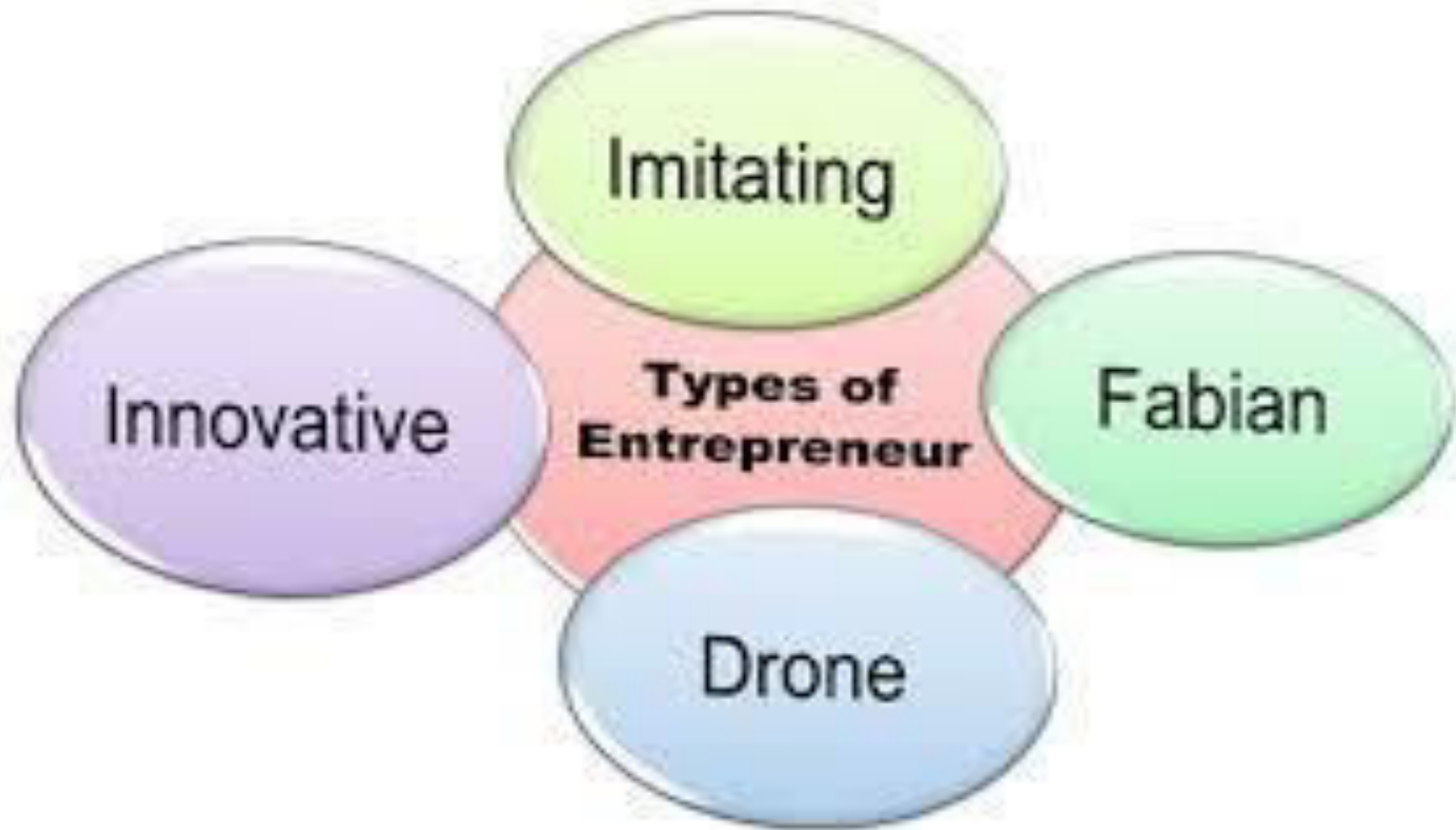


**INCOME**

"Something to be earned later"



# Types of Entrepreneurs



# Types of Entrepreneurs



As per Clarence danhof classification (1949)

1. Innovative Entrepreneurs
2. Imitative entrepreneurs
3. Fabian entrepreneurs
4. Drone entrepreneurs



# Innovating entrepreneur:

- are the one who introduce new goods, inaugurate new techniques of production, discover new market etc.
- He arranges for various factors of production, chooses competent managers, and sets his enterprise.
- Innovation entrepreneur are very much helpful for their country because they bring about a transformation in life style.

Ex: Apple , OLA, OYO ROOMS

# Imitative entrepreneur(Adoptive entrepreneur)



- are characterized by readiness to adopt successful innovations inaugurated by successful entrepreneurs. They imitate technology, strategies, techniques from successful business.
- These entrepreneurs are very helpful in less developed countries as they contribute significantly in the growth of enterprise and entrepreneurial culture in these countries.

Ex: (under development ,developing countries )Nepal , srilanka, Bangladesh etc..



# Fabian entrepreneur:

- The Fabian entrepreneur is timid and cautious
- He imitates other innovations only if he is certain that failure to do so may damage his business.
- They are very much sceptical in their approach in adopting or innovating new technology in their enterprise.
- They are not adaptable to the changing environment
- They love to remain in the existing business with the age old techniques of production
- They only adopt the new technology when they realize that failure to adopt will lead to loss or collapse of the enterprise.



# Drone entrepreneur

- These entrepreneur are conservative or orthodox in outlook
- They never like to get rid of their traditional business and traditional machinery or systems of the business
- These are entrepreneur who refuse to accept to adopt to changes adopted by the competitors. When competition increases they are pushed out of the market as it becomes uneconomical for them to carry their business further due to financial crisis.

# Biggest Myths About Entrepreneurship





# MYTHS ABOUT ENTREPRENEURSHIP

- Starting the business is easy but 90 % of start ups fail
- Lot of money is required to start business
- Banks don't lend money to start ups
- Start- ups cannot be financed by debt
- Most entrepreneurs start business in attractive industries
- Growth of start up depends more on entrepreneurial talent.



Ex:

- Mahima mehra started hathi chaap . It was totally a new venture where different raw materials were tried out to make hand made paper .
- After researching a lot , they found that elephant dung had more fibre content which made it easy to make hand made paper.





# TYPES OF ENTREPRENEURS



## ACCORDING TO TYPE OF BUSINESS :

- **Business entrepreneur:** these are set of entrepreneurs who convince the idea of new product or service and then translate ideas into reality.
- **Trading entrepreneur:** they are concerned with trading activities. They are basically into buying the finished activities of producing and selling off to the customer directly or through the retailer.



- **Agriculture entrepreneur:** is the one who is engaged in agricultural activities. He uses the latest technology to increase the productivity of agriculture.



- **Industrial entrepreneur:** he is the one who sets up industrial unit. He perceives opportunity to set up his business complies with necessary formalities and ensures availability of required resources for starting the business.
- **Corporate entrepreneur:** is the one who plans, develops and manages a corporate body. He is promoter, organizer and director responsible for running the organization. He gets the corporate body registered under the suitable companies act in compliance with legal legislation.



## ACCORDING TO MOTIVATION :

- **Pure entrepreneur:** is the one who may or may not possess aptitude for entrepreneurship but is keen towards the monetary benefits obtained from the success of business.
- **Induced entrepreneur:** is a person who is attracted by various incentives, subsidies, and facilities offered by the government. Most of the entrepreneurs, who enter the business, are induced in nature as they intended to explore facilities available to start a venture.

# ACCORDING TO USE OF TECHNOLOGY :



- **Technical entrepreneur:** strength of technical entrepreneur is the technical knowledge of person. He possesses craftsmen skill in him which he develops to apply and implements to develop technical aspect of product.
- **Non technical entrepreneur:** these entrepreneurs believe in coming up with new strategies rather than concentrating technical aspect of the product. His target is not to change the technology related to the product but rather increase demand for product with effective strategies by attracting customers.



- **Professional entrepreneurs:** are the one who are interested in floating a business rather than managing or operating the same.  
Ex: Lawyers, doctors , professors, Engineers

# ACCORDING TO STAGES OF DEVELOPMENT :



- **First generation entrepreneur:** are those who do not possess any entrepreneurial background. They start industrial unit by the means of their own innovative skill.
- **Second generation entrepreneur:** are those entrepreneurs who inherit family business firm and pass it from one generation to other.

# ACCORDING TO CAPITAL OWNERSHIP :



- **Private entrepreneur:** when an individual or group of people together set up enterprise collectively bear profit and loss of company, and adopting latest techniques in business are known as private entrepreneur.
- **State entrepreneur:** refers to trading or industrial venture undertaken by the state or the government.
- **Joint entrepreneur:** refers to combination of private and state enterprise running the business by sharing resources with each other.

Ex: PPP ( PRIVATE, PUBLIC , PARTNERSHIP)



# Importance of Entrepreneurship



# IMPORTANCE OF ENTREPRENEURSHIP



- 1. Promotes research and development**
- 2. Growth of Entrepreneurship**
- 3. A Creation of job opportunities**
- 4. Innovation**
- 5. Impact on community development**
- 6. Political and economic**
- 7. Enhances standard of living**



# IMPORTANCE OF ENTREPRENEURSHIP

## 1. Promotes research and development

**Entrepreneurship is innovation and hence the innovated ideas of goods and services have to be tested by experimentation.**

**Therefore, entrepreneurship provides funds for research and development with universities and research institutions.**



## **2.Growth of Entrepreneurship :**

**Entrepreneurship the advent of new venture particularly small ventures in order to materialize the innovative ideas of the entrepreneurs**



### **3. A Creation of job opportunities:**

**Entrepreneurship firms contributed a large share of new jobs. It provides entry-level jobs so necessary for training or gaining experience for unskilled workers.**

**The small enterprises are the only sector that generates large portion of total employment every year. Moreover, entrepreneurial ventures prepare and supply experienced labor to the large industries.**



## 4. Innovation :

Entrepreneurship innovation that provides new ventures, product, technology , market, quality of good etc. to the economy that increase Gross Domestic Products and standard of living of the people.



## 5. Impact on community development:

A community is better off if its employment base is diversified among many small entrepreneurial firms. It promotes abundant retail facilities, a higher level of home ownership, fewer slums, better sanitation standards and higher expenditure of education, recreation and religious activities. Thus, entrepreneurship leads to more stability and a higher quality of community life

Ex: Beverages products ( PEPSI, COCA COLA )



## 6. Political and economic

Integration of outsiders Entrepreneurship is the most effective way of integrating those who feel disposed and alienated into the economy. Minorities, migrants and women are safely integrated into entrepreneurship that will help to develop a well-composed plural society



## 7. Enhances standard of living:

Standard of living is a concept built on increasing amount of consumption of variety of goods and services over a particular period by a household. So it depends on availability of diversified products in the market. Entrepreneurship provides enormous kinds product of various natures by their innovation.



**Determination**  
**Taking Initiative**  
**Innovation**  
**Passion**  
**Decision Making**  
**Pragmatically Pessimist**  
**Successful Entrepreneur**  
**Self-Confidence**  
**Right Attitude**  
**Resourceful**  
**Leadership**  
**Interpersonal Skills**  
**Self-Discipline**  
**Creativity**

# QUALITIES OF SUCCESSFUL ENTREPRENEURS



# Qualities of an Entrepreneur



1. **Calculated Risk –taker**
2. **Innovator**
3. **Organizer**
4. **Creative**
5. **Achievement motivated**
6. **Technically competent**
7. **Self confident**
8. **Socially responsible**
9. **Optimistic**
10. **Equipped with a capability to drive**



- 11. Mental ability**
- 12. Socially responsible**
- 13. Optimistic**
- 14. Human relation ability**
- 15. Communication ability**
- 16. Decision Making**
- 17. Business Planning**
- 18. A venture capitalist**
- 19. Visionary**
- 20. Ability to spot and exploit opportunities**

# Experiential learning



- Initially , students form groups based on the class room strength , each team should submit report on factors affecting growth of entrepreneurship in India with reference to different industries( automobile, retail industries, oil industries, steel industries, education industries, beverages industries )

# CHARACTERISTICS OF AN ENTREPRENEUR



**1. Disciplined:** These individuals are focused on making their businesses work, and eliminate any hindrances or distractions to their goals. They have overarching strategies and outline the tactics to accomplish them. Successful entrepreneurs are disciplined enough to take steps every day toward the achievement of their objectives.

**2. Confidence:** The entrepreneur does not ask questions about whether they can succeed or whether they are worthy of success. They are confident with the knowledge that they will make their businesses succeed. They exude that confidence in everything they do.



**3.Open Minded:** Entrepreneurs realize that every event and situation is a business opportunity. Ideas are constantly being generated about workflows and efficiency, people skills and potential new businesses. They have the ability to look at everything around them and focus it toward their goals.

**4.Self Starter:** Entrepreneurs know that if something needs to be done, they should start it themselves. They set the parameters and make sure that projects follow that path. They are proactive, not waiting for someone to give them permission.



**5. Competitive:** Many companies are formed because an entrepreneur knows that they can do a job better than another. They need to win at the sports they play and need to win at the businesses that they create. An entrepreneur will highlight their own company's track record of success.

**6. Creativity:** One facet of creativity is being able to make connections between seemingly unrelated events or situations. Entrepreneurs often come up with solutions which are the synthesis of other items. They will repurpose products to market them to new industries



**7.Determination:** Entrepreneurs are not thwarted by their defeats. They look at defeat as an opportunity for success. They are determined to make all of their endeavours succeed, so will try and try again until it does. Successful entrepreneurs do not believe that something cannot be done.

**8.Strong people skills:** The entrepreneur has strong communication skills to sell the product and motivate employees. Most successful entrepreneurs know how to motivate their employees so the business grows overall. They are very good at highlighting the benefits of any situation and coaching others to their success.



**9.Strong work ethic:** The successful entrepreneur will often be the first person to arrive at the office and the last one to leave. They will come in on their days off to make sure that an outcome meets their expectations. Their mind is constantly on their work, whether they are in or out of the workplace.

**10.Passion:** Passion is the most important trait of the successful entrepreneur. They genuinely love their work. They are willing to put in those extra hours to make the business succeed because there is a joy their business gives which goes beyond the money. The successful entrepreneur will always be reading and researching ways to make the business better

# RISK FACED BY ENTREPRENEURS



- **Competitive Risk:** Competitive risk is the risk of a business facing competition from its rivals. Every business besides monopolies face competition because there are substitutes easily available in the market. New businesses have to face this risk to a higher degree because they face stiff competition from already established businesses. However, reputable businesses are not immune from this risk either.



- **Technological Risk** : Thanks to the changing times every business has to face technological risk. This includes change in technology that are taking place at a rapid pace. What's in today goes obsolete tomorrow. It is difficult for entrepreneurs to be able to gauge the future properly.



- **Political and Legal Risk** : This risk is everywhere especially in the case of businesses that run in uncertain environments. This includes the changing political scenario including the changes in laws and regulations. Multinationals have to face this risk to a great degree because they do not only have to worry about the political and legal situation of their country but of every country they have a business in.



- **Economical Risk:** A good example of this type of risk is the recent economic slump that was seen globally. This risk includes the changes in the cycle that includes periods of high prosperity (boom) and recession. These cannot be predicted correctly and must be taken into account at the planning stage
- **Financial Risk:** Financial risk is the risk of a business running out of finances. Entrepreneurs need to have a good financial sense in order to run a business successfully. They need to manage cash flow, predict demand and supply so that financial decisions can be taken properly.



- **Employee Risk:** The human capital is one of the most important things for a business to be successful. It is the duty of the entrepreneurs to build an impressive team of managers who can lead the employees in the right direction. No company can attain its goals without the support of its employees that act as the backbone.
- **Health and Safety Risk:** This risk involves how a business functions. It is the duty of the businessperson to provide the right environment to its employees so that they do not have to face any kind of health hazard. There are employee and labor laws that clearly highlight the rules regarding everything from having a canteen to a bathroom etc.



- **Environmental Risk:** Risks that are associated with the environment are called environmental risks. Most of the risks that fall under this category cannot be controlled. These include natural disasters like flood and drought. Plus, a lack of natural resources also falls under this category.
- **Operational Risk:** The risk associated with administrative procedures is called operational risk. This includes outdated IT systems, poor supply chain and disorganized record keeping. These problems result in big issues for the company as having wrong records would not give a true picture of the company's growth and may lead to poor decisions

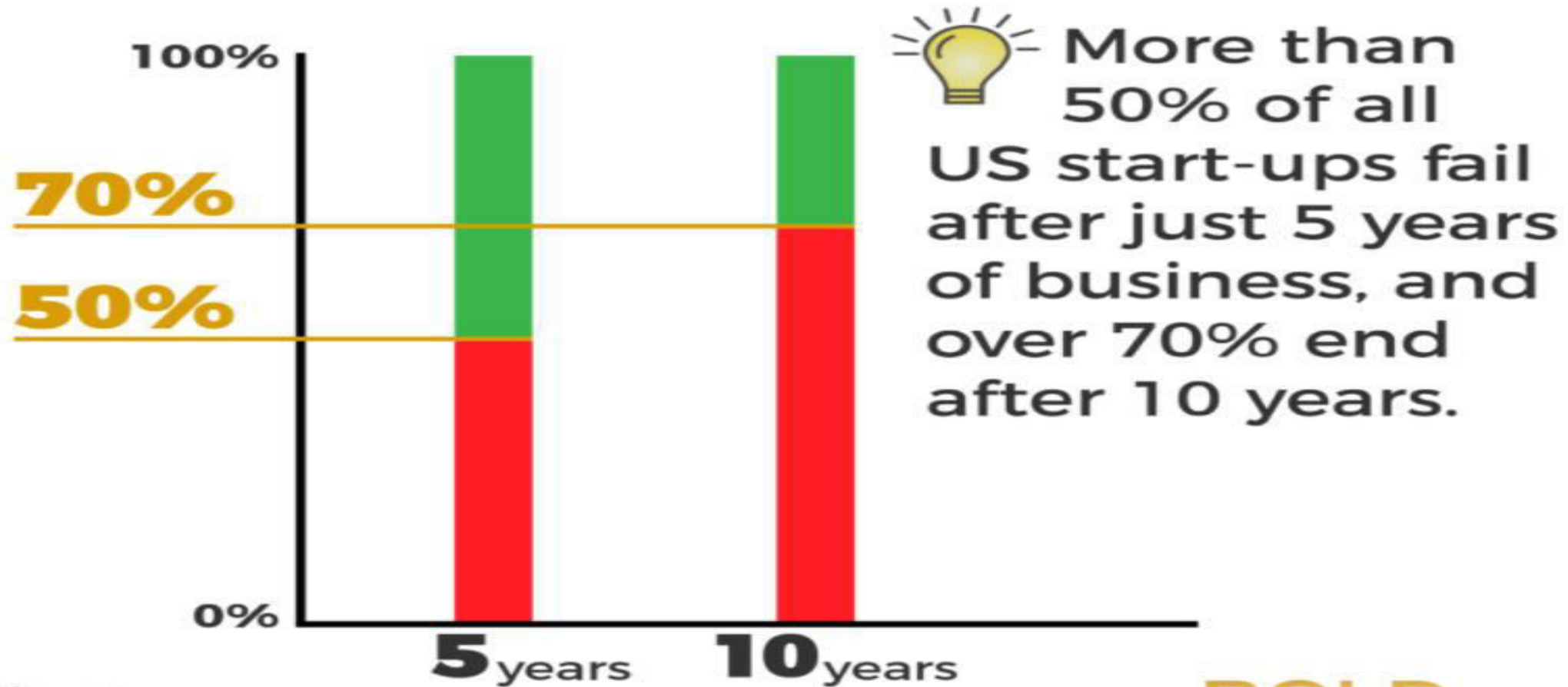


- **Strategic Risk:** Strategic risk is the risk of a strategy failing due to one reason or another. Since companies plan keeping the future in mind there is always a chance of things going wrong as the future is uncertain and cannot be predicted correctly. The strategy they apply cannot be taken back which is why it needs to be sound



# MYTHS ABOUT ENTREPRENEURSHIP

- **Entrepreneurs Are High Risk Takers:** like all prudent businesspeople, entrepreneurs know that taking high risks is a gamble. Entrepreneurs are neither high nor low risk takers. They prefer situations in which they can influence the outcome, and they like challenges if they believe the odds are in their favor.
- **Entrepreneurs are born:** experts generally agree that most entrepreneurs were not born; they learned to become entrepreneurs. The recent proliferation of college and university courses on the subject supports this point. Entrepreneurship is currently being successfully taught.



Source: <http://www.statisticbrain.com/startup-failure-by-industry>



- **Entrepreneurs are mainly motivated to get rich:** New businesses usually take from one to three years to turn a profit. In the meantime, you're considered to be doing well if you break even. During the business start-up stage, entrepreneurs do not buy anything they do not need, such as fancy cars. Most drive junk cars and use their surplus money to pay off debt or reinvest it in the business. Their focus is on creating a company with a strong financial base for future expansion.
- **Entrepreneurs pay little attention to their personal life:** long working hours are not unique to entrepreneurs. Many corporate managers and executives work well beyond the average 40-hour workweek. The primary difference between the entrepreneur and his or her corporate counterpart is schedule control.



- **Entrepreneurs Are Often High-Tech Wizards** : We are all aware, says Rye, of a few high-tech entrepreneurial wizards who have made it. Media attention overplays the success of these few high-tech entrepreneurs. Only a small percentage of today's personal businesses are considered high tech, and what was considered high tech just a few years ago is not considered high tech by today's standards.
- **Entrepreneurs are loners and introverts** : The astute entrepreneur knows that he or she must draw on the experience and ideas of others in order to succeed. Entrepreneurs will actively seek the advice of others and will make many business contacts to validate their business ideas. The entrepreneur who is a loner and will not talk to anybody will never start a successful business.



- **Entrepreneurs are job hoppers** : most entrepreneurs have usually had a good track record in the workplace. Most have spent years working for other people before going on their own. But you don't have to do so to succeed
- **Entrepreneurs finance their money from venture capitalist** :  
Entrepreneurs, know that venture capital money is one of the most expensive forms of funding they can get. Consequently, they will avoid venture capitalists, using them only as a last resort. Most entrepreneurs fund their business from personal savings, or by borrowing from friends or lending institutions.



- **Entrepreneurs are ruthless and deceptive** : it is often assumed that some people believe that to make it as an entrepreneur, you have to be deceptive and step on anybody who gets in your way. On the contrary, this mode of operation doesn't work for the entrepreneur. The truly ruthless or deceptive entrepreneur will often alienate others and be forced to waste time and energy repairing relationships with employees, customers, and suppliers, or simply fail.
- **Entrepreneurs Have Limited Dedication:** it is a myth that entrepreneurs are not dedicated to any one thing. But he adds that dedication is an attribute that all successful entrepreneurs exhibit



- <https://www.youtube.com/watch?v=pLrXrdUVyPU>



# FACTORS AFFECTING ENTREPRENEURIAL GROWTH

- **Capital:** is one of the most important factors of production for the establishment of an enterprise. Increase in capital investment in viable projects results in increase in profits which help in accelerating the process of capital formation. Entrepreneurship activity too gets a boost with the easy availability of funds for investment. On availability of capital: inventions are capital oriented. In less developed countries most of the capital equipment have to be imported which involves foreign exchange and increases cost of business.
- **Labor:** Easy availability of right type of workers also effect entrepreneurship. The quality rather than quantity of labor influences the emergence and growth of entrepreneurship. The problem of labor immobility can be solved by providing infrastructural facilities including efficient transportation.



- **Raw Materials:** it is one of the basic ingredients required for production. Shortage of raw material can adversely affect entrepreneurial environment. Without adequate supply of raw materials no industry can function properly and emergence of entrepreneurship to is adversely affected.
- **Market:** The role and importance of market and marketing is very important for the growth of entrepreneurship. In modern competitive world no entrepreneur can think of surviving in the absence of latest knowledge about market and various marketing techniques.



- **Attitude of Government:** Government all over the world can play a very important role in the emergence of entrepreneurship. Positive actions by the government can facilitate growth of entrepreneurship whereas negative actions can adversely influence entrepreneurial emergence & growth. It is the govt. which regulates business activities.
- **Social Environment:** Strongly affect the entrepreneurial behavior, which contribute to entrepreneurial growth. The social setting in which the people grow, shapes their basic beliefs, values and norms. The social factors can be. Family Background – Joint Family can Provide Family Resources to Invest and Expand Family Business. Friends and Relatives, Religion, Social status



- **Attitude of Government:** Government all over the world can play a very important role in the emergence of entrepreneurship. Positive actions by the government can facilitate growth of entrepreneurship whereas negative actions can adversely influence entrepreneurial emergence & growth. It is the govt. which regulates business activities.
- **Education:** Education, entrepreneurship and development are interrelated. Education helps in the development of capabilities of individuals which facilitates the emergence and growth of entrepreneurship
- **Technical Know:** In the modern competitive world to survive the entrepreneurs have to keep an eye over the technological advances taking place around. These technological developments provide opportunities for the entrepreneurs to develop and produce new product.

# ROLE OF ENTREPRENEURSHIP IN ECONOMIC DEVELOPMENT



- **Creation of employment opportunity:** Entrepreneurs by setting up their own units enabling themselves to get self employment. With the setting up of more and more units by entrepreneurs both on small and large scale, numerous job opportunities are created for others.
- **Capital formation:** Entrepreneurs as an organizer of factors of production employs his own as well as borrowed resources for the setting up of his enterprise. Entrepreneur mobilizes idle saving of the public and put them to productive use. In this way he helps in capital formation which is so essential for the industrial and economic development of a country.



- **Balanced regional development** : Small scale units can be set up in industrially backward and remote areas with limited financial resources
- **Effective utilization of local resources:** In the absence of any initiative local resources are likely to remain unutilized. Proper use of those resources can result in the progress or development of the area and that too at lower cost.
- .



- **Improvement in per capita income:** More enterprises will lead to more production, employment and generation of wealth in the form of goods and services. It will result in the increase in the overall productivity and per capita income in the country.
- **Economic development:** Entrepreneurs develop substitute goods being imported and thus prevent over-dependence on foreign countries and at the same time help in saving of previous foreign exchange. Through sale of their surplus products in foreign market entrepreneurs enable a country to earn foreign exchange



- **Preventing industrial slum:** Dispersal of industries can help in the overcoming the problem of industrial slums which results in over burdening of civic amenities.
- **Facilitating overall development:** With the setting up of an enterprise the process of industrialization is set in motion. An entrepreneur acts as a catalytic agent for change which results in chain reaction.



- <https://www.youtube.com/watch?v=e1rEHiuDtuc>



# Ritesh Agarwal's **OYO ROOMS**



- (Young Indian Entrepreneur)





# Trish neet Arora TAC Security Solutions.

- **(Young Indian Entrepreneur) is an author, a self-described friendly hacker and the founder and CEO of cyber security startup TAC Security Solutions.**



# Sreelakshmi Suresh



- (Young Indian Entrepreneur), the youngest web designer and CEO
- when she established e Design — a venture which is now a web designing company that offers SEO, web design, and other web — related services.
- Sreelakshmi has developed over 100 websites for renowned institutions and organizations across India!



# Akhilendra Sahu



- **(Young Indian Entrepreneur) is the Founder & CEO of ASTNT Technologies Pvt Ltd . & Technical Next Technologies .**
- **ASTNT India based company provide digital marketing , website development , app development SEO like services , Technical Next Technologies Provide best webhosting solution India.**



# Shravan and Sanjay



- **(Young Indian Entrepreneur), Together, they are the brain behind GoDimensions.**
- **The aim of the company is to develop a simple technological solution for the digital world. They are the youngest Mobile Application Developers in India**

THANK YOU



# OPPORTUNITY ASSESSMENT MODULE 2

JAGADEESH BABU.MK



## MODULE TWO: OPPORTUNITY ASSESSMENT

Opportunity Identification and Selection, Environmental dynamics and changes,

Business Opportunities in emerging environment, challenges of new venture start-ups,

Pit falls in selecting new ventures, Critical factors for new venture development, Why new ventures fail, Sources of Finance for New Venture.

# Opportunity Identification and Selection



- **OPPORTUNITY:**

Favorable position or range for advancement

- An entrepreneur starts their journey with an idea which is converted into opportunities by redefining , discussing, rebating and filtering .



## OPPORTUNITY TO START A BUSINESS

The ability to identify business opportunities is an essential characteristic of an entrepreneur

Opportunity- favorable position or a range for advancement



# STEPS IN ARRIVING AT BUSINESS OPPORTUNITY

- Generating Ideas
- Screening Process
- Formulating the Concept of the Business



# GENERATING IDEAS

Source: **Environment**

- Scan & Understand the needs & wants of people



Abraham Maslow  
-psychologist

People generally have different kinds of basic needs such as food, clothing, shelter, safety, socialization, recognition for self-esteem & self-fulfillment





# Maslow's hierarchy of needs



## GENERATING IDEAS

Source: **Environment**

➤ Taking macro-perspective or viewing larger environment where business will be situated (looking at the Social, Technological, Economic, Environmental, & Political)





# WAYS OF SCANNING THE ENVIRONMENT

## 1. Looking Closely at the market

- Demand & Supply Gap Analysis
- Import-Export Movement
- Product Substitution
- Forward-Backward Industry Linkages





# WAYS OF SCANNING THE ENVIRONMENT

## **2. Looking at People's skills**

- Observe your Community

## **3. Looking at Available Business Assistance Program**

- Visit DTI Office
- Government & Private Institutions
- Non-Government Organizations





# COLLECTING INFORMATION

## Method:

- Ad Hoc Scanning  
-short-term, infrequent & initiated by crisis
- Regular Scanning  
-involve studies done on a more or less regular basis
- Continuous Scanning  
-entails regular collection or processing of data on a wide range of factors from business environment



# MEANING OF COLLECTING INFORMATION



- Accessing networks
- Public meetings , trade fairs
- Focused group discussions
- Key people survey
- Publications
- In depth Interviews
- Usage & Awareness studies



# Screening Process

Personal-Level  
Screening

Firm-Level  
Screening





# Screening Process

## Personal-Level Screening

- Personal Preference (committed)
- Educational & Training Background
- Work experience (degree of expertise & knowledge)
- Business Network & Contacts (buyers, suppliers or creditors)
- family Support





# Screening Process

- Market
- Technology
- Availability of Skills
- Availability of Raw Materials
- Financial/Capital Requirement
- Profitability
- Government Support

Firm-Level  
Screening





# FORMULATING THE CONCEPT OF THE BUSINESS

## 1. Resource Analysis

Resources

Strengths

Weakness

Money

Materials

Machines

Methods

Manpower

Management

Moment (time)





The Resource Analysis where strengths and weaknesses are identified, indicates what the firm is capable of doing at the start of the business.

The strengths identify distinctive competencies of the company which can work to its advantage.





# FORMULATING THE CONCEPT OF THE BUSINESS

## 2. Environmental Analysis

The Environmental Analysis gives an indication whether the business can survive or not.





## Identifying Opportunities & Threats in the Environment

Socio-Cultural

Technological & Technical

Economic

Natural

Political

Peace & Order

Population Trends

Government Program

Global Environment





<https://www.youtube.com/watch?v=HjFb0FzRA0Y>

# Opportunity Identification and Selection



- **An entrepreneur starts their journey with an idea which is converted into opportunities by redefining , discussing, rebating and filtering .**
- **These opportunities are further assessed by the entrepreneur before starting a new venture.**



- **Entrepreneur starts a new venture for exploiting the opportunities .**
- **Normally they start with a small venture or small scale industry (SSI) rather than company.**



- **An opportunities to be the own boss , to provide a product or services, to implement the idea which can generate sufficient surplus etc.**
- **Starting new business needs a lot of courage and various skills and competencies.**



## Critical factors for new venture development (factors are important in order to start a successful business )

- 1. Knowledge / expertise**
- 2. Market/ demand**
- 3. Total project cost**
- 4. Financing / capital**
- 5. Competition**

CONT..



**6.Location**

**7.Laws : Rules and Regulations**

**8.Return on investment**

**9.Staff / manpower**

**10. technology**



# 1. Knowledge / expertise

- **The owners needs to be aware about the business he intends to start Knowledge and expertise about the product or service are keys to a success of business**

**Ex: The construction or software industry would require more knowledge as against a retail business selling a particular brand of clothes or shoes**



## 2. Market/ demand

- **Products will have domestic market for them whereas others can be successful on an international level**

**if the product / service is expected to be sold locally, the demand for it needs to be assessed.**



- **In case an international market is expected then rules and regulations for dealing internationally needs to be found out**

## 3.Total project cost



- **The total amount which will be spent on the land and building ,plant and machinery , furniture and office equipment , vehicles etc.. is needed to be identified.**



- **One also needs to take care of the working capital requirements**

## 4. Finance / capital



- After identifying the initial cost required for starting the business, the financing pattern will need to be decided.
- ✓ The financing pattern will be mainly by way of capital introduction by the owner and borrowed funds.



- **EQUITY FUNDS & DEBT FUNDS**
- **Fund borrowed will be either short term loans or long term loans.**

# 5.Competition



- ✓ **Before entering new business, information about market competition needs to be found out.**



- **Incase a product is a monopoly then the competition will not matter**
- **Other wise the success of the business will depend upon the demand and supply gap**



## 6. Location

**A good location goes a long way in making the business successful.**

**A businessman can save out on taxes, water and electricity cost if it is located in some areas.**



- **The raw materials can be easily sourced , the manpower would be easily available and one can save out on transportation costs in case of certain locations.**



## 7.Laws Rules and regulations

- Setting up a new business would require compliance with various laws and regulations.



- **Each country is governed by separated laws and regulations which required that any new business be registered with certain authorities and meets certain compliance.**

## 8. Return on Investment



**The ROI is low in the initial years and is expected to grow on a year on year basis.**

**The ROI needs to be compared with the return that would be earned from alternative business options available**



- **ROI = NET PROFIT**  
----- **x 100**  
**TOTAL INVESTMENT**

**Where NET PROFIT = Gross profit - Total Expenses**



# 9. Staff/manpower

**Any business requires efficient manpower to succeed .**

**The staff needs to be carefully chosen since they are the ones who could make or break the business.**



# 10. Technology

**It is always better to invest in the best technology at the time of start up itself .**

**A technologically advanced business is expected to perform much better in the long run.**

# Steps in new venture start up



# Steps in new venture start up



- 1. Scanning of environment**
- 2. Locating business opportunity**
- 3. Converting opportunity into reality**
- 4. Market research or market sensing study**
- 5. Developing business plan**

Cont...



**6. Techno economic feasibility**

**7. Preparation of project report**

**8. Accumulating resources**

**9. Financial preparation**

**10. Generating funds**



Cont...

**11. Legal issues**

**12. Organizing production**

**13. Marketing of products**

**14. Managing enterprise**

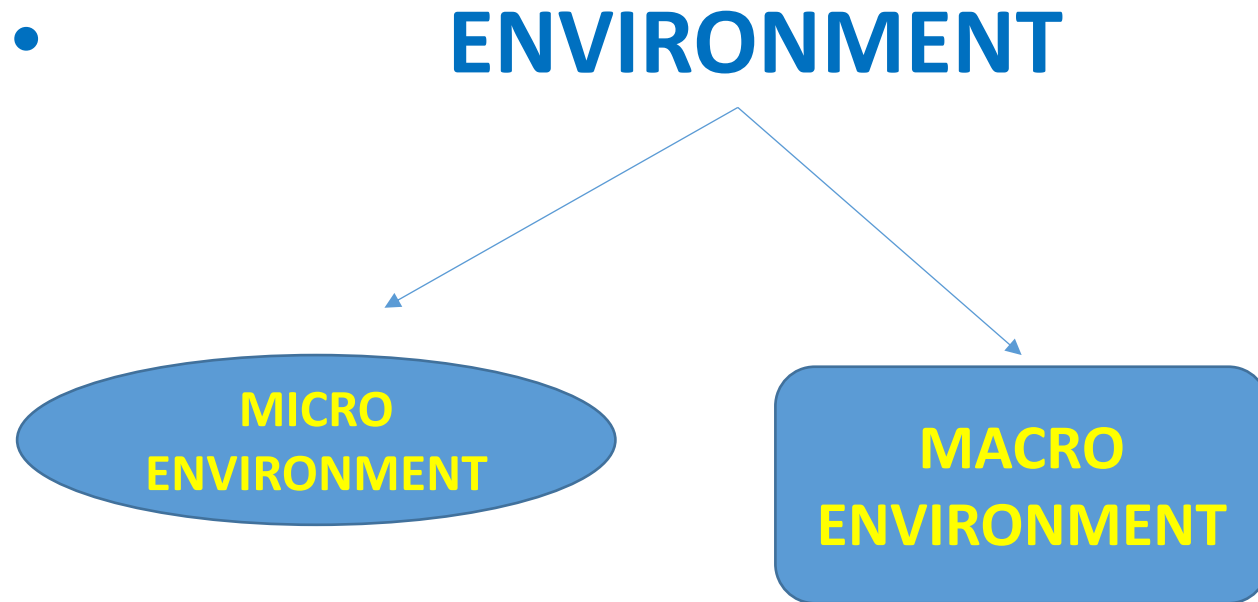


# 1. Scanning of environment

- ✓ Environment scanning is one component of the global environment analysis .
- ✓ Environment monitoring , environment forecasting and environment assessment complete the global environmental analysis.



- ✓ It is the process of collecting , analyzing and distributing information for tactical and strategic purpose





- ES refers to the macro environment . The global environment refers to the macro environment which comprises industries , markets , companies , clients and competitors



- Suppliers , customers and competitors representing the micro environment of a company are analyzed within the industry analysis



## 2. Locating business opportunities

- ✓ It is an important step in developing a successful business venture.
- ✓ BO are the options available to you when it comes to successfully applying your business ideas in the market.



- ✓ Creating and developing new and innovative business ideas provides you with the opportunity to fill gaps in the market and offer differentiated products and services to consumers.



# Characteristics of a business opportunity

- **Real demand**
- **ROI**
- **Be competitive**
- **Meet objective**
- **Availability of resources and skills**



## 3. Converting opportunity into reality

- It is a process of perceive the opportunities from the problems and needs of people and society or create or craft business opportunities (by innovating new products / services) synthesis the available information analyze the pattern emerging out of this information arrive at creative solutions to meet the needs or resolve the problems .



The following are the various sources which lead to the emergence of basic ideas

1. Problems
2. Change
3. Inventions
4. Competition



- Various sources like magazines, journals , books, seminars , trade shows, family members , customers , friends etc help in getting information that helps in evolution of basic ideas.



## 4. Market research or market sensing study:

- ✓ MR is any organized effort to gather information about target markets or customers.
- ✓ It provides relevant data to help solve marketing challenges that a business will most likely face and integral part of the business planning process.



- Accurate information is the foundation of all successful business ventures because it provides a wealth of information about prospective and existing customers, competitors and the industry

## 5. Developing business plan:



- A business plan is a written description of the future of business, a document that tells what entrepreneur plans to do and how one plan to do it.



- A business plan is a formal statement of a set of business goals, the reasons they are believed attained, and the plan for reaching those goals.

# Feasibility study/ techno –Economic Feasibility :



- The feasibility study is an evaluation and analysis of the potential of proposed project which is based on extensive investigation and research to support the process of decision making.



- The feasibility studies aim to objectivity and rationally uncover the strength and weakness of an existing business or proposed venture, opportunities and threat present in the environment , the resources required to carry through the ultimately the prospects for success.
- SWOT ANALYSIS



- The objective of techno- economic feasibility studies is to determine the technical feasibility and financial viability of the project, assess the risks associated with the project and enumerate imminent actions that require to be taken.



- A well designed feasibility study should provide a historical background of the business or project

# How to register your startup with Startup India



To get the “Startup” recognition under Startup India you just have to follow these 7 steps-





## Step 1: Incorporate your business

- First incorporate your business as a Private Limited Company or a Partnership firm or a Limited Liability Partnership
- You have to follow all the normal procedures for registration of any business like obtaining the certificate of Incorporation/Partnership registration, PAN, and other required compliances.



## Step 2: Register with Startup India

- Then the business must be registered as a startup.
- The entire process is simple and online.
- All you need to do is log on to the Startup India website and fill up the form with details of your business and upload certain documents.

## Step 3: Documents to be uploaded (in PDF format only)



- a) **A letter of recommendation/support** A letter of recommendation must be submitted along with the registration form
- b) **Incorporation/Registration Certificate**
  - You need to upload the certificate of incorporation of your company/LLP (Registration Certificate in case of partnership)
  - **c) Description of your business in brief** A brief description of the innovative nature of your products/services.



## Step 4: Answer whether you would like to avail tax benefits

- **Startups are exempted from income tax for 3 years.**
- They must be certified by the Inter-Ministerial Board (IMB).
- Start-ups recognized by DIPP, Govt. of India can now directly avail IPR related benefits without requiring any additional certification from IMB.

## Step 5: Finally, you must self-certify that you satisfy the following conditions



- a) You must register your new company as a Private Limited Company, Partnership firm or a Limited Liability Partnership
- b) Your business must be incorporated/registered in India, not before 5 years.
- c) Turnover must be less than 25 crores per year.
- d) Innovation is a must– the business must be working towards innovating something new or significantly improving the existing used technology.
- e) Your business must not be as a result of splitting up or reconstruction of an existing business.

## Step 6: Immediately get recognition number



- That's it! On applying you will immediately get a recognition number for your startup. The certificate of recognition will be issued after the examination of all your documents.
- However, be careful while uploading the documents. If on subsequent verification, it is found to be obtained that the required document is not uploaded/wrong document uploaded or a forged document has been uploaded then you shall be liable to a fine of 50% of your paid-up capital of the startup with a minimum fine of Rs. 25,000.



## Step 7: Other areas

- **a) Patents, trademarks and/or design registration**
- If you need a patent for your innovation or a trademark for your business, you can easily approach any from the list of facilitators issued by the government. You will need to bear only the statutory fees thus getting an 80% reduction in fees.
- **b) Funding** One of the key challenges faced by many startups has been accessing to finance. Due to lack of experience, security or existing cash flows, entrepreneurs fail to attract investors. Besides, the high-risk nature of startups, as a significant percentage fail to take-off, puts off many investors.
- In order to provide funding support, Government has set up a fund with an initial corpus of INR 2,500 crore and a total corpus of INR 10,000 crore over a period 4 years (i.e. INR 2,500 crore per year). The Fund is in the nature of Fund of Funds, which means that it will not invest directly into Startups, but shall participate in the capital of SEBI registered Venture Funds.

# Some of the reasons for the Failure of new ventures



- **1. Lack of Experienced Management**
- **2. Few Trained or Experienced Manpower**
- **3. Poor Financial Management**
- **4. Rapid Growth:**
- **5. Lack of Business Linkages:**
- **6. Weak Marketing Efforts**
- **7. Lack of Information**
- **8. Incorrect Pricing**
- **9. Improper Inventory Control**



# Some of the reasons for the Failure of new ventures

## 1. Lack of Experienced Management:

- ✓ One of the main problems faced by new enterprises is that the management team is usually very new to this role.
- ✓ The entrepreneur and his/her top management usually have no prior record of being in charge of the fortunes of a whole company.



- Even in some rare cases, when the management has some individuals who have led a company in the past, they are now faced with a new situation where the company itself has no previous track record.
- It is a very different kind of situation.



## Lack of Experience

#10



- Do what you do well
- Entrepreneurs must have experience
- Be able to anticipate challenges
- Possess an awareness of the products, services and the market



## 2. Few Trained or Experienced Manpower:



- Shortage of skilled and experienced manpower is faced by new ventures, which represent a riskier job opportunity.
- Most people prefer to work with a well-established organization employing hundreds of employees and having a stable track record.



- New ventures are also reluctant to use manpower for and to invest in training.
- Lack of experienced and skilled manpower can lead to a general drop in productivity and quality of output.
- The absence of quality manpower is particularly felt during a crisis.



# 3. Poor Financial Management



- Operational issues keep an entrepreneur busy and as a result, financial management is likely to get neglected.
- Often, the entrepreneur may find the technicalities of accounting and finance intimidating and avoid looking deep into it.



Common errors in financial management can be

- ✓ Bad receivables management,
- ✓ unproductive investments,
- ✓ and poor budgeting decisions.



## Insufficient capital

#9

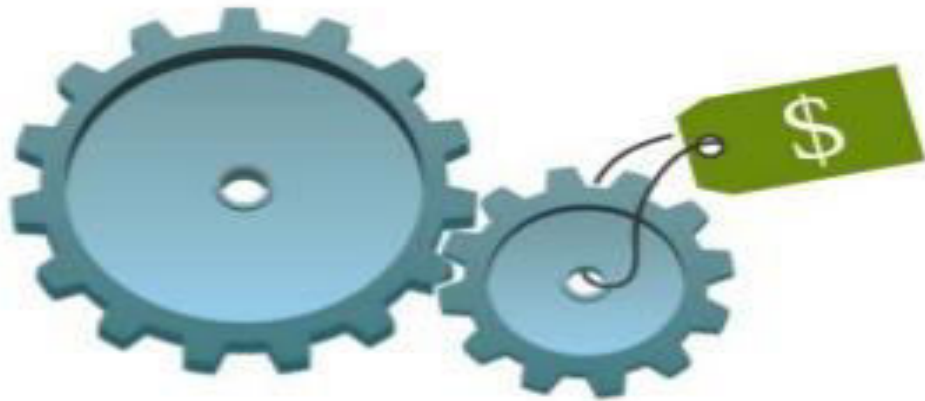


- “Cash is King”
- With tightened lending policies, harder to obtain business loans
- Focus on cash flow generation to be properly capitalized
- Maintain adequate reserves



## Over-investment in fixed assets

#6



- Fixed assets are usually always a requirement
- Evaluate usefulness and necessity before buying them
- Consider leasing vs. purchasing
- Costly fixed assets may result in poor cash flow



## Poor credit arrangements

#5



- Negotiate flexible terms from suppliers, avoid late fees
- Critical for businesses to ensure terms are clear and easy to understand
- Giving customers too much time to pay bills can affect cash flow
- Business owners should keep tabs on their business credit score



## Personal use of business funds

#4



- Many small business owners use personal credit
- Places the owner at risk
- Some business owners use business credit card to cover personal expenses
- Consider forming LLC or corporation to shield from personal liability

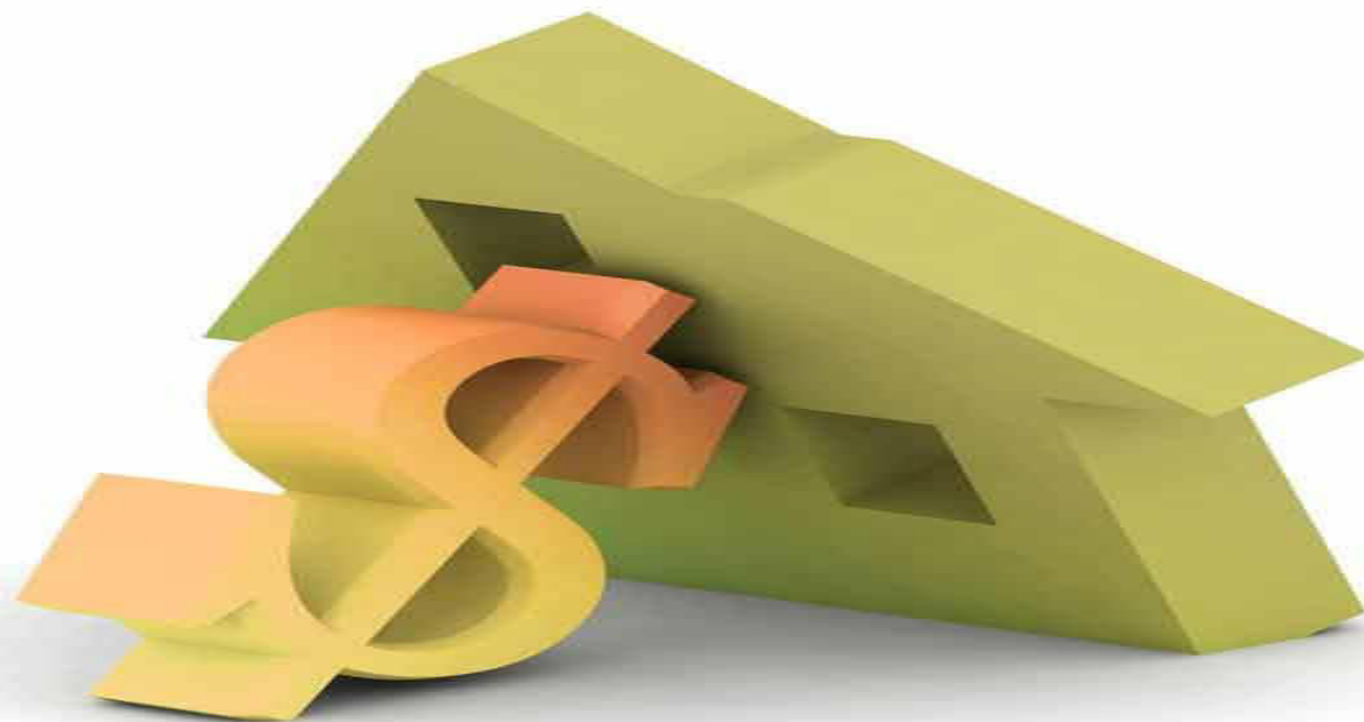


# Competition

#2



- Creates choices for consumers
- Study your competitors
- Take the high road to success - trashing the competition is never a good idea.
- Focus energy on taking care of your customers
- Using business credit wisely - one of the best ways to succeed in a competitive marketplace





## 4. Rapid Growth:

- ✓ Sudden unplanned growth is not always a desirable situation.
- ✓ Higher growth will mean greater stress on production facilities, manpower, and marketing channels.



- Sometimes, these will not be designed to cater to the rise in volumes and might need further capital investments.
- It will lead to a stage of continuous fire-fighting and ultimately, many things may not keep pace with the growth.
- Most commonly, the organization may run out of money.

# Lack of Business Linkages:



- Existing working relationships with vendors, customers, and others is a huge advantage to established businesses.



- A new venture will have to forge new relationships and work hard at strengthening them before coming to an equal footing with the entrenched players.
- Such business linkages help in smooth conduct of business and are invaluable at times of distress.



## Poor location

#8



- “Location, Location, Location”
- Understand where target customers work or live
- Traffic conditions, accessibility & parking
- Relation to competitors
- Building condition & curb appeal



## 6. Weak Marketing Efforts:



- Entrepreneurial firms are very reluctant to spend on marketing efforts.
- Investing in a marketing campaign is not going to give you assured returns and the link between the marketing expenditure and the sales is not very easy to establish.



- An investment of Rs. X in raw material will give you a very tangible Y kg of output but a similar investment of Rs. X in a newspaper insert will not give you a sale of Y units, which you can demonstratively tie into the newspaper insert.





## 7. Lack of Information:

- Even in this era of free-flowing information, the quality of information available to large corporations is far superior to that available to new small entrepreneurial ventures.
- There is a cost to information and small ventures may not be able to invest so much in getting the high-quality information.



- For example, before entering a new market, the new venture may send some salespersons to interview some customers, shopkeepers, and wholesalers.
- The other hand, the large corporation may engage the services of a market-research firm and carry out a thorough investigation of the potential and the problems of the new market.

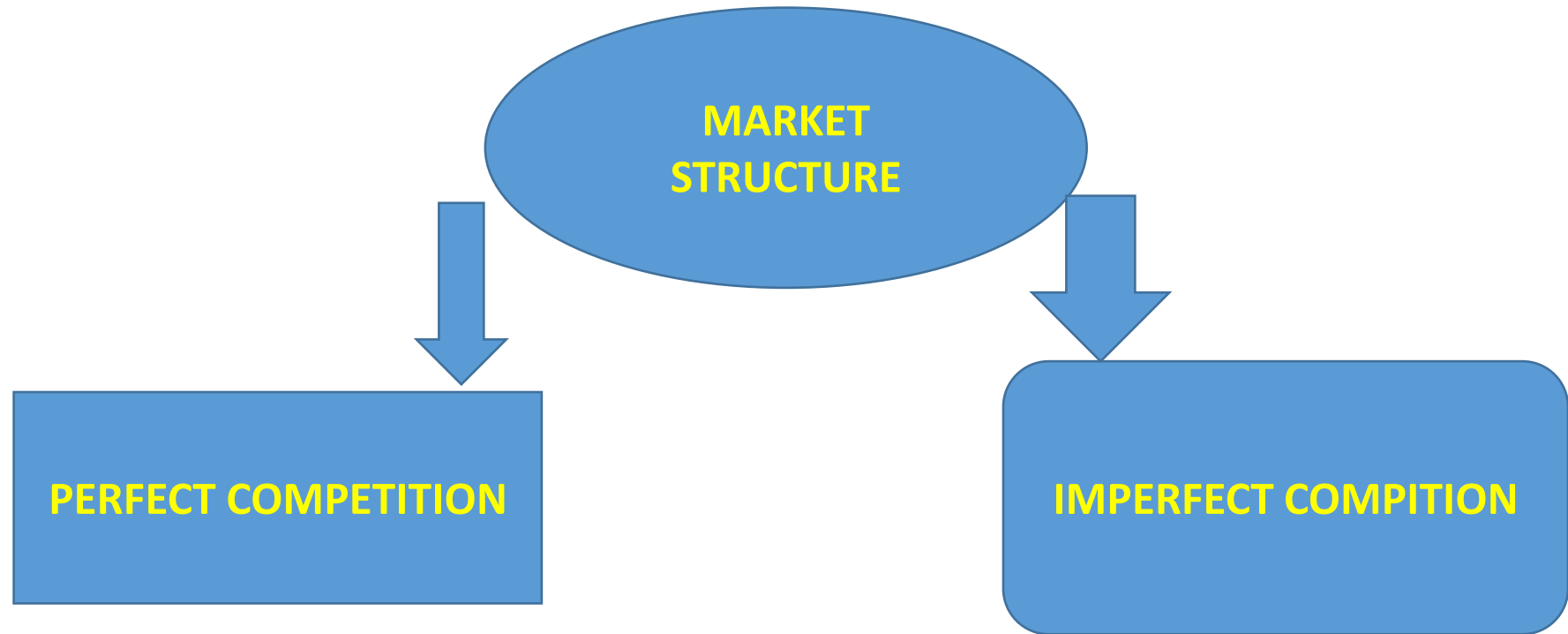




## 8. Incorrect Pricing:

- An entrepreneur does not pull the pricing out of thin air, but it may not be very rigorously thought-out either.
- The price is most likely close to that of the competition and takes care of costs leaving a modest or seemingly generous margin.







## 9. Improper Inventory Control:

- Improper inventory control can lead to myriad problems.
- Production can be halted due to insufficient inventory, whereas excess inventory can lead to wastages and damages.



## Poor inventory management

#7



- Some are tempted to over-buy on essentials
- Draining working capital, eroding profit
- Make forecast projections
- Tying line of credit to these items frees working capital for other needs



- In case of perishable goods, high inventory can lead to expiration of stock. In high-tech industries or industries influenced by fads, goods become obsolete very soon.
- Inflated valuation of inventory can give a very wrong picture of the financial position of the firm.





## 10. Short-term Outlook:

- A number of small new ventures face huge problems on a regular basis. In the early days of a firm, these problems can threaten the very existence of the venture.
- In such circumstances, the management and employees of the venture focus on surviving the immediate crisis and the long-term vision and strategy of the firm are soon forgotten.



- If this continues for long, the danger is that long-term plans are discarded as impractical or irrelevant.
- Ultimately, the firm acquires a shape very different from what was originally envisaged by the entrepreneur.





# Types and Sources of Financing for Start-up Businesses

- Debt and equity are the two major sources of financing. .



## Why finance matters

- A start-up can't survive without sufficient finance
- There are various sources of finance available for new businesses
- However, many start-ups struggle to raise finance until the business is established
- Finance provided from the personal sources of the entrepreneur is very



# Key finance issues for start-up

- How much cash?
  - Enough v not too much
  - Safety buffer
- When?
  - All at once?
  - Drip feed / as needed?
- Challenges
  - Keeping control of the business

Finance is needed for...

Business Set-up

Day-to-day trading

Growth & development



# Main types of finance sources

## Internal Sources

**Founder finance**  
(various personal sources of the entrepreneur)

**Retained profits**

## External Sources

**Bank loan**

**Bank overdraft**

**Business angels**

**Loans & grants**



# Short-term v Long-term

## Long-term

*Finances the whole business over many years*

### Examples:

Share capital

Retained profits

Venture capital

Mortgages

## Medium-term

*Finances major projects or assets with a long-life*

### Examples:

Bank loans

Leasing

Hire purchase

Government grants

## Short-term

*Finances day-to-day trading of the business*

### Examples:

Bank overdraft

Trade creditors

Short-term bank loans

Factoring



# Share capital

Share capital is the **money invested in a company by the shareholders**. Share capital is a long-term source of finance. In return for their investment, shareholders gain a **share of the ownership** of the company.

An illustration of an example company share ownership structure is shown opposite:

Shareholder	Number of Shares	Shareholding
Angela	300	15%
Nicolas	400	20%
Gordon	600	30%
Barack	700	35%
<b>Total</b>	<b>2,000</b>	<b>100%</b>



## Retained profits

- This is the cash that is generated by the business when it trades profitably
- Retained profits can generate cash the moment trading has begun
- For example, a start-up sells the first batch of stock for £5,000 cash which it had bought for £2,000. That means that retained profits are £3,000 which can be used to finance further expansion or to pay for other trading costs and expenses



## Personal sources of the entrepreneur

- Entrepreneurs find various personal sources to finance their start-ups: e.g.
- Cash and investments
- Redundancy payments
- Inheritances
- Personal credit cards
- Re-mortgaging
- Putting time into the business for free



## Why personal sources are important

- Cheap (e.g. compared with a bank loan)
- Entrepreneur keeps control over the business
- The more the founder puts in, the more others will invest
- Little red tape or delay
- Focuses the mind!





## Personal sources - redundancy

- Redundancy packages often provide kick-start finance for a new business
- Previous employers may also provide other support services (e.g. assets, training)
- Other popular nest egg - inheritance





## Personal sources - Re-mortgages

- Raising new capital by re-mortgaging
- Most popular form of secured loan finance for start-ups
- Long-term finance
- Impact of credit crunch may restrict this source in future





## Personal sources - credit cards

- The **most popular source of short-term finance for small businesses**
- 30 days free credit for business-related expenses
- Helps control over start-up costs





## Bank loans

- Long-term finance
  - Loan provided over fixed period
  - Rate of interest either fixed or variable
  - Timing and amount of repayments are set
  - Start-up provide some security for the loan
- Good for financing investment in production capacity (e.g. buildings, equipment)
- Generally at a lower rate of interest than a bank overdraft
- But, don't provide much flexibility
- Harder to get because of the credit crunch



## Bank overdrafts

- Short-term finance, widely used by start-ups and small businesses.
- An overdraft is really a loan facility – the bank lets the business “owe it money” when the bank balance goes below zero, in return for charging a high rate of interest.
- A flexible source of finance, in the sense that it is only used when needed
- Bank overdrafts are excellent for helping a business handle seasonal fluctuations in cash flow or when the business runs into short-term cash flow problems (e.g. a major customer fails to pay on time)



# Business Angels

- High net worth individuals who invest in high growth businesses
- Dragons Den is an example!
- Investment range - £10,000 to £750,000
- What they look for:
  - Expertise and track record of founders & management
  - Competitive edge or unique selling point
  - Growth potential of the market
  - Cultural fit & chemistry
  - Financial commitment of the entrepreneur





## Trade credit

- **Amounts owed to suppliers** for goods supplied on credit and not yet paid for
- Delayed payment means that the business retains cash longer
- Have to be careful not to damage firm's credit reputation and rating
- Some firms habitually delay payment to creditors in order to enhance their cash flow - a short sighted policy and raises ethical issues



# Pitfalls in Selecting New Ventures

# Contents



- ✓ Lack of objective evaluation
- ✓ No real insight into the market
- ✓ Inadequate understanding of technical requirements
- ✓ Poor financial understanding
- ✓ Lack of venture uniqueness
- ✓ Ignorance of legal issues



## Lack of objective evaluation

- Don't fall in love with an idea for a product or service
- Lack of scrutiny for design or project
- Subject all ideas to rigorous study and investigation

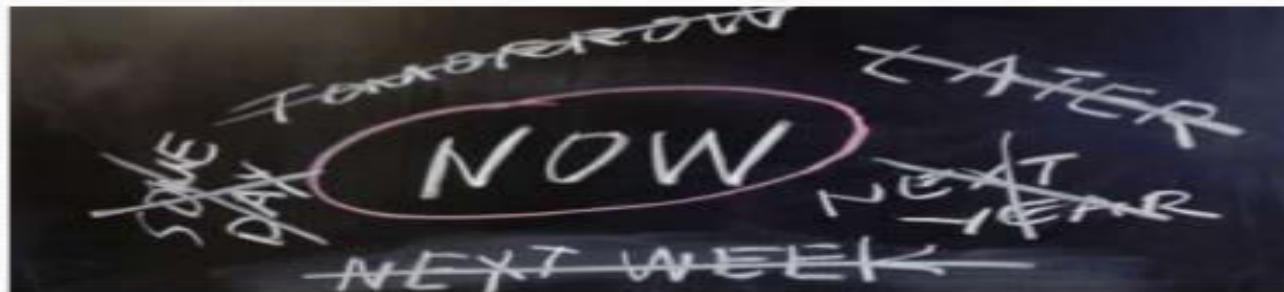




## No real insight into the market



- Managerial shortsightedness
- Not understanding life cycle of the product or service
- No product is instantaneously profitable
- Timing is critical
- Action taken too soon or too late result in failure





## Inadequate understanding of technical requirements

- Failure to anticipate technical difficulties
- Entrepreneurs cannot be too thorough
- Problems delay time and increase costs





## Poor financial understanding

- Underestimating the cost leads to problem
- Ignorance of cost due to inadequate research and planning
- It is not unusual for estimates to be less than half of what is eventually required





## Lack of venture uniqueness

- A new venture should be unique
- Performance of service should be superior to competitive offerings
- Product differentiation
- Customers awareness of difference





## Ignorance of legal issues

- Legal requirements
- Safe working environment
- Reliable and safe products and services
- Patent, Trademarks, and Copyrights



TRADE  
INTELLECTUAL  
PROPERTY  
COPYRIGHTS  
TRADEMARKS  
SECRETS  
PATENTS



# Equity Financing

- Equity financing means exchanging a portion of the ownership of the business for a financial investment in the business. The ownership stake resulting from an equity investment allows the investor to share in the company's profits.
- Equity involves a permanent investment in a company and is not repaid by the company at a later date.



- The investment should be properly defined in a formally created business entity. An equity stake in a company can be in the form of membership units, as in the case of a limited liability company or in the form of common or preferred stock as in a corporation.



- ✓ **Personal Savings**
- ✓ **Life insurance policies**
- ✓ **Home equity loans**
- ✓ **Friends and Relatives**
- ✓ **Venture Capital**



- ✓ **Angel Investors**
- ✓ **Government Grants**
- ✓ **Equity Offerings**
- ✓ **Initial Public Offerings**
- ✓ **Warrants**



- **Personal Savings**

- The first place to look for money is your own savings or equity.
- Personal resources can include profit-sharing or early retirement funds, real estate equity loans, or cash value insurance policies.



- **Life insurance policies** - A standard feature of many life insurance policies is the owner's ability to borrow against the cash value of the policy. This does not include term insurance because it has no cash value.
- The money can be used for business needs. It takes about two years for a policy to accumulate sufficient cash value for borrowing. You may borrow most of the cash value of the policy. The loan will reduce the face value of the policy and, in the case of death, the loan has to be repaid before the beneficiaries of the policy receive any payment.



- **Home equity loans** - A home equity loan is a loan backed by the value of the equity in your home. If your home is paid for, it can be used to generate funds from the entire value of your home.
- If your home has an existing mortgage, it can provide funds on the difference between the value of the house and the unpaid mortgage amount.
- For example, if your house is worth \$150,000 with an outstanding mortgage of \$60,000, you have \$90,000 in equity you can use as collateral for a home equity loan or line of credit. Some home equity loans are set up as a revolving credit line from which you can draw the amount needed at any time. The interest on a home equity loan is tax deductible.



- **Friends and Relatives**

Founders of a start-up business may look to private financing sources such as parents or friends. It may be in the form of equity financing in which the friend or relative receives an ownership interest in the business. However, these investments should be made with the same formality that would be used with outside investors.

- **Venture Capital**

Venture capital refers to financing that comes from companies or individuals in the business of investing in young, privately held businesses. They provide capital to young businesses in exchange for an ownership share of the business.

- Venture capital firms usually don't want to participate in the initial financing of a business unless the company has management with a proven track record. Generally, they prefer to invest in companies that have received significant equity investments from the founders and are already profitable.



- They also prefer businesses that have a competitive advantage or a strong value proposition in the form of a patent, a proven demand for the product, or a very special (and protectable) idea. Venture capital investors often take a hands-on approach to their investments, requiring representation on the board of directors and sometimes the hiring of managers. Venture capital investors can provide valuable guidance and business advice. However, they are looking for substantial returns on their investments and their objectives may be at cross purposes with those of the founders. They are often focused on short-term gain.
- Venture capital firms are usually focused on creating an investment portfolio of businesses with high-growth potential resulting in high rates of returns. These businesses are often high-risk investments. They may look for annual returns of 25 to 30 percent on their overall investment portfolio.
- Because these are usually high-risk business investments, they want investments with expected returns of 50 percent or more. Assuming that some business investments will return 50 percent or more while others will fail, it is hoped that the overall portfolio will return 25 to 30 percent.
- More specifically, many venture capitalists subscribe to the 2-6-2 rule of thumb. This means that typically two investments will yield high returns, six will yield moderate returns (or just return their original investment), and two will fail.



- **Angel Investors**

Angel investors are individuals and businesses that are interested in helping small businesses survive and grow. So their objective may be more than just focusing on economic returns. Although angel investors often have somewhat of a mission focus, they are still interested in profitability and security for their investment. So they may still make many of the same demands as a venture capitalist.

- Angel investors may be interested in the economic development of a specific geographic area in which they are located. Angel investors may focus on earlier stage financing and smaller financing amounts than venture capitalists.

- **Government Grants**

Federal and state governments often have financial assistance in the form of grants and/or tax credits for start-up or expanding businesses.



- **Equity Offerings**

In this situation, the business sells stock directly to the public. Depending on the circumstances, equity offerings can raise substantial amounts of funds. The structure of the offering can take many forms and requires careful oversight by the company's legal representative.

- **Initial Public Offerings**

Initial Public Offerings (IPOs) are used when companies have profitable operations, management stability, and strong demand for their products or services. This generally doesn't happen until companies have been in business for several years. To get to this point, they usually will raise funds privately one or more times.



- **Warrants**

Warrants are a special type of instrument used for long-term financing. They are useful for start-up companies to encourage investment by minimizing downside risk while providing upside potential.

- For example, warrants can be issued to management in a start-up company as part of the reimbursement package.
- A warrant is a security that grants the owner of the warrant the right to buy stock in the issuing company at a pre-determined (exercise) price at a future date (before a specified expiration date). Its value is the relationship of the market price of the stock to the purchase price (warrant price) of the stock. If the market price of the stock rises above the warrant price, the holder can exercise the warrant. This involves purchasing the stock at the warrant price. So, in this situation, the warrant provides the opportunity to purchase the stock at a price below current market price.



# Debt Financing

- Debt financing involves borrowing funds from creditors with the stipulation of repaying the borrowed funds plus interest at a specified future time. For the creditors (those lending the funds to the business), the reward for providing the debt financing is the interest on the amount lent to the borrower.
- Debt financing may be secured or unsecured. Secured debt has collateral (a valuable asset which the lender can attach to satisfy the loan in case of default by the borrower). Conversely, unsecured debt does not have collateral and places the lender in a less secure position relative to repayment in case of default.
- Debt financing (loans) may be short term or long term in their repayment schedules. Generally, short-term debt is used to finance current activities such as operations while long-term debt is used to finance assets such as buildings and equipment.



- **Friends and Relatives**
- **Banks and Other Commercial Lenders**
- **Commercial Finance Companies**
- **Government Programs**
- **Bonds**
- **Lease**



- **Friends and Relatives**

Founders of start-up businesses may look to private sources such as family and friends when starting a business. This may be in the form of debt capital at a low interest rate. However, if you borrow from relatives or friends, it should be done with the same formality as if it were borrowed from a commercial lender. This means creating and executing a formal loan document that includes the amount borrowed, the interest rate, specific repayment terms (based on the projected cash flow of the start-up business), and collateral in case of default.

- **Banks and Other Commercial Lenders**

Banks and other commercial lenders are popular sources of business financing. Most lenders require a solid business plan, positive track record, and plenty of collateral. These are usually hard to come by for a start-up business. Once the business is underway and profit and loss statements, cash flows budgets, and net worth statements are provided, the company may be able to borrow additional funds.

- **Commercial Finance Companies**

Commercial finance companies may be considered when the business is unable to secure financing from other commercial sources. These companies may be more willing to rely on the quality of the collateral to repay the loan than the track record or profit projections of your business. If the business does not have substantial personal assets or collateral, a commercial finance company may not be the best place to secure financing. Also, the cost of finance company money is usually higher than other commercial lenders.



- **Government Programs**

Federal, state, and local governments have programs designed to assist the financing of new ventures and small businesses. The assistance is often in the form of a government guarantee of the repayment of a loan from a conventional lender. The guarantee provides the lender repayment assurance for a loan to a business that may have limited assets available for collateral. The best known sources are the Small Business Administration and the USDA Rural Development programs.

- **Bonds**

Bonds may be used to raise financing for a specific activity. They are a special type of debt financing because the debt instrument is issued by the company. Bonds are different from other debt financing instruments because the company specifies the interest rate and when the company will pay back the principal (maturity date). Also, the company does not have to make any payments on the principal (and may not make any interest payments) until the specified maturity date. The price paid for the bond at the time it is issued is called its face value.

- When a company issues a bond it guarantees to pay back the principal (face value) plus interest. From a financing perspective, issuing a bond offers the company the opportunity to access financing without having to pay it back until it has successfully applied the funds. The risk for the investor is that the company will default or go bankrupt before the maturity date. However, because bonds are a debt instrument, they are ahead of equity holders for company assets.



- **Lease**

- A lease is a method of obtaining the use of assets for the business without using debt or equity financing. It is a legal agreement between two parties that specifies the terms and conditions for the rental use of a tangible resource such as a building and equipment. Lease payments are often due annually. The agreement is usually between the company and a leasing or financing organization and not directly between the company and the organization providing the assets. When the lease ends, the asset is returned to the owner, the lease is renewed, or the asset is purchased.
- A lease may have an advantage because it does not tie up funds from purchasing an asset. It is often compared to purchasing an asset with debt financing where the debt repayment is spread over a period of years. However, lease payments often come at the beginning of the year where debt payments come at the end of the year. So, the business may have more time to generate funds for debt payments, although a down payment is usually required at the beginning of the loan period.



**START UP**



# Tips for Streamlining the Business Start-Up Process



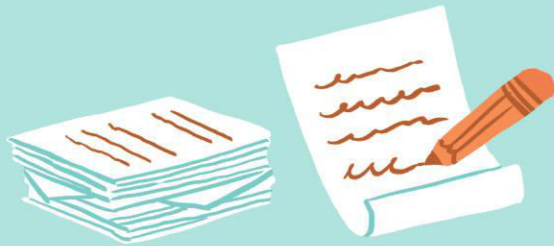
Make sure entrepreneurship is what you want



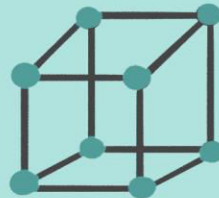
Decide what kind of business you want



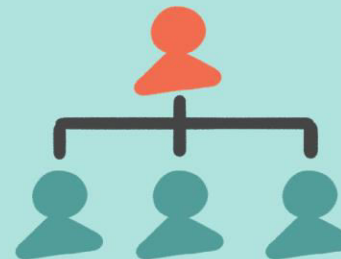
Research your idea



Write a business plan



Choose your business structure



Assemble your team



Handle paperwork



# 9 funding options

- 1. self funding
- 2. crowd funding as a funding option
- 3. Get angel investment in your startup
- 4. Get venture capital for your business
- 5. Get funding from business incubators and accelerators
- 6. Raise funds by winning contests
- 7. Raise money through bank loans
- 8. Get business loans NBFCs
- 9. Government programs that offering startup capital



# Central Govt schemes

1. Bank of Ideas and innovations programs
2. Pradhan mantra micro units development and refinance agency limited( MUDRZ)
3. SIDBI ( Small industries & development bank of India )



# State Govt schemes

1. Kerala state self entrepreneur development mission (KSSDM)
2. Maharashtra centre for entrepreneurship development
3. Rajasthan start up fest

# Impact of Environmental Dynamics on Business Enterprises!



- Running a business enterprise is highly contextual. The change in the business environment particularly in the government policy affects conducting business and industry in more ways than one.
- That the change in business enterprise and industry has become sine quo non with change in the business environment is illustrated as follows:

## **1. Increasing Competition:**

- As a result of changes in the rules of industrial licensing and entry of foreign firms, competition for Indian firms has increased especially in service industries like telecommunications, airlines, banking, insurance, etc. which were earlier under the domain of the public sector in the country.

# Impact of Environmental Dynamics on Business Enterprises!



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- **2. More Demanding Customers:**

- Customers today have become more demanding because they are well-informed. Increased competition in the market gives the customers wider choices in purchasing better quality of goods and services at competitive prices.

- **3. Rapidly Changing Technological Environment:**

- Increased competition forces the firms to develop new ways to survive and grow in the market. New technologies make it possible to improve machines, process, products and services. The rapidly changing technological environment creates tough challenges before smaller firms.



- **4. Necessity for Change:**

- In a regulated business environment of pre-1991 era, the business enterprises could have relatively stable policies and practices. After 1991, the market forces have become turbulent as a result of which the enterprises have to continuously modify their operations.

- **5. Threat from MNCs:**

- The massive entry of multi-national corporations (MNCs) in the Indian market poses new challenges. The Indian subsidiaries of multi-nationals, no doubt, gained strategic advantage. Many of these companies could get limited support in technology from their foreign partners due to restrictions in ownerships. Once these restrictions have been limited to reasonable levels, there is increased technology transfer from the foreign partners to their Indian counterparts.

THANK YOU



# FEASIBILITY ANALYSIS AND CRAFTING BUSINESS PLAN MODULE 3

**JAGADEESH BABU MK**



- Feasibility analysis of Industry, Market , Product or service and Finance ;
- Business plan Meaning, Significance, contents, formulation and presentation of Business Plan, Common errors in Business Plan formulation.



## **OLD CROW**





# MODERN CROW





**Update Yourself - It saves a lot of extra effort**



# What Is Feasibility Analysis?

## Feasibility Analysis

- ✓ Feasibility analysis is the process of determining whether a business idea is viable.
- ✓ It is the preliminary evaluation of a business idea, conducted for the purpose of determining whether the idea is worth pursuing.



- ✓ Feasibility analysis takes **the guesswork (to a certain degree)** out of a business launch, and provides an entrepreneur with a more secure notion that a business idea is feasible or viable.

# When To Conduct a Feasibility Analysis



## ✓ **Timing of Feasibility Analysis**

- The proper time to conduct a feasibility analysis is early in thinking through the prospects for a new business.
- The thought is to screen ideas before a lot of resources are spent on them



- **Components of a Properly Conducted Feasibility Analysis**

A properly conducted feasibility analysis includes four separate components.



# Outline for a Comprehensive Feasibility Analysis

---

## Part 1: Product/Service Feasibility

- A. Product/service desirability
- B. Product/service demand

## Part 2: Industry/Target Market Feasibility

- A. Industry attractiveness
- B. Target market attractiveness

## Part 3: Organizational Feasibility

- A. Management prowess
- B. Resource sufficiency

## Part 4: Financial Feasibility

- A. Total start-up cash needed
  - B. Financial performance of similar businesses
  - C. Overall financial attractiveness of the proposed venture
- Overall Assessment
-

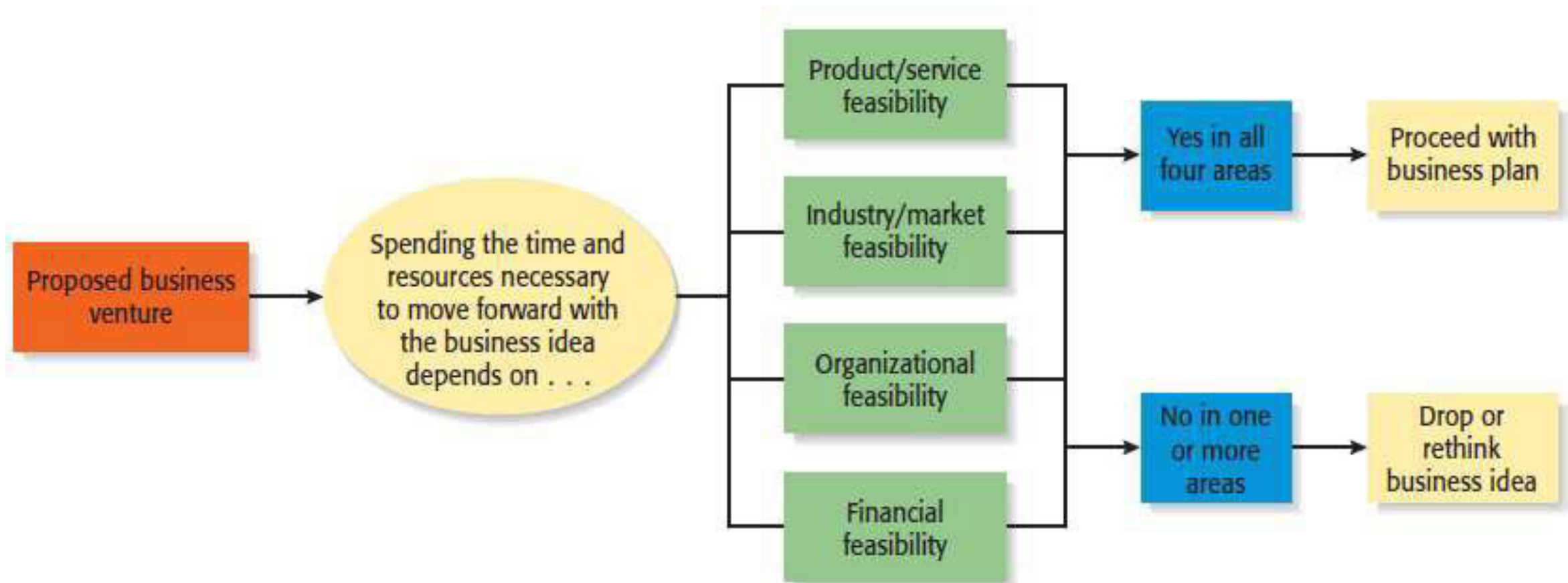


## FEASIBILITY STUDIES





# Role of feasibility analysis in developing business ideas





# Product/Service Desirability

First, ask the following questions to determine the basic appeal of the product or service.

- Does it make sense? Is it reasonable? Is it something consumers will get excited about?
- Does it take advantage of an environmental trend, solve a problem, or take advantage of a gap in the marketplace?



- Is this a **good time to introduce the product or service** to the market?
- Are there any **fatal flaws in the product or service's** basic design or concept?



# 1. Product/Service Feasibility Analysis

## ✓ **Product/Service Feasibility Analysis**

Is an assessment of the overall appeal of the product or service being proposed.

✓ The idea is that before a **prospective firm rushes a product or service into development**, it should be confident that the product or service is what its **prospective customers want**.



**The two components of a product/service feasibility analysis are:**

**Product/Service  
Desirability**

**Product/Service  
Demand**



# Product/Service Desirability

## *Concept Test*

A **concept statement** should be developed.

A concept statement is a **one page description of a business**, that is distributed to people who are asked to **provide feedback** on the potential of the business idea.



- The feedback will hopefully provide the entrepreneur
- A sense of the viability of the product or service idea.
- Suggestions for how the idea can be strengthened or “tweaked” before proceeding further.



# Developing a Business Concept

- In **developing a business concept**, consider the **features and benefits** your proposed product or service will offer.
- **features** distinctive aspects, qualities, or characteristics of a product or service
- **benefits** things that promote or enhance the value of a product or a service to the customer



- **When developing a business concept an entrepreneur must ask the following questions:**
  - What is the product or service being offered
  - Who is the customer?
  - What is the benefit that is being provided?
  - How will the benefit be delivered to the customer?



# Preparing a Concept Statement

## Information to Include

- ✓ A **description of the product or service** being offered.
- ✓ The **intended target market**.
- ✓ The **benefits of the product or service**.
- ✓ A **description of how the product will be positioned** relative to similar ones in the market.
- ✓ A description of **how the product or service will be sold and distributed**.
- ✓ **Information about the founder or founders** of the firm.

# New Venture Fitness Drink's Concept



## **New Business Concept New Venture Fitness Drinks Inc.**

### **Product**

New Venture Fitness Drinks will sell delicious, nutrition-filled, all-natural fitness drinks to thirsty sports enthusiasts. The drinks will be sold through small storefronts (600 sq. ft.) that will be the same size as popular smoothie restaurants. The drinks were formulated by Dr. William Peters, a world-renowned nutritionist, and Dr. Michelle Smith, a sports medicine specialist, on behalf of New Venture Fitness Drinks and its customers.

### **Target Market**

In the first three years of operation, New Venture Fitness Drinks plans to open three or four restaurants. They will all be located near large sports complexes that contain soccer fields and softball diamonds. The target market is sports enthusiasts.

### **Why New Venture Fitness Drinks?**

The industry for sports drinks continues to grow. New Venture Fitness Drinks will introduce exciting new sports drinks that will be priced between \$1.50 and \$2.50 per 16-ounce serving. Energy bars and other over-the-counter sports snacks will also be sold. Each restaurant will contain comfortable tables and chairs (both inside and outside) where sports enthusiasts can congregate after a game. The atmosphere will be fun, cheerful, and uplifting.

### **Special Feature—No Other Restaurant Does This**

As a special feature, New Venture Fitness Drinks will videotape select sporting events that take place in the sports complexes nearest its restaurants and will replay highlights of the games on video monitors in their restaurants. The "highlight" film will be a 30-minute film that will play continuously from the previous day's sporting events. This special feature will allow sports enthusiasts, from kids playing soccer to adults in softball leagues, to drop in and see themselves and their teammates on television.

### **Management Team**

New Venture Fitness Drink is led by its cofounders, Jack Petty and Peggy Wills. Jack has 16 years of experience with a national restaurant chain, and Peggy is a certified public accountant with seven years of experience at a Big 4 accounting firm.

# Product/Service Demand



- There are three steps to assessing product/service demand.  
***Step 1: Administer a Buying Intentions Survey-*** an instrument that is used to gauge customer interest in a product or service.  
***Step 2: Conduct library, Internet, and Gumshoe research***  
***Step 3: Usability Testing***



Usability tests are sometimes called user tests, beta tests, or field trials, depending on the circumstances involved.

- ***Prototype***
- ***Virtual Prototype***
- ***Standard Test Market***
- ***Controlled Test Market***



One of the most effective things an entrepreneur can do to conduct a thorough product/service feasibility analysis is to hit the streets and talk to potential customers.

**Table 3.3** BUYING INTENTIONS SURVEY

*Distributed to a different group of people than those who completed the initial concept statement test*

How likely would you be to buy the product or service described above, if we make it?

- \_\_\_\_\_ Definitely would buy
- \_\_\_\_\_ Probably would buy
- \_\_\_\_\_ Might or might not buy
- \_\_\_\_\_ Probably would not buy
- \_\_\_\_\_ Definitely would not buy

*Additional questions that are sometimes included in the survey:*

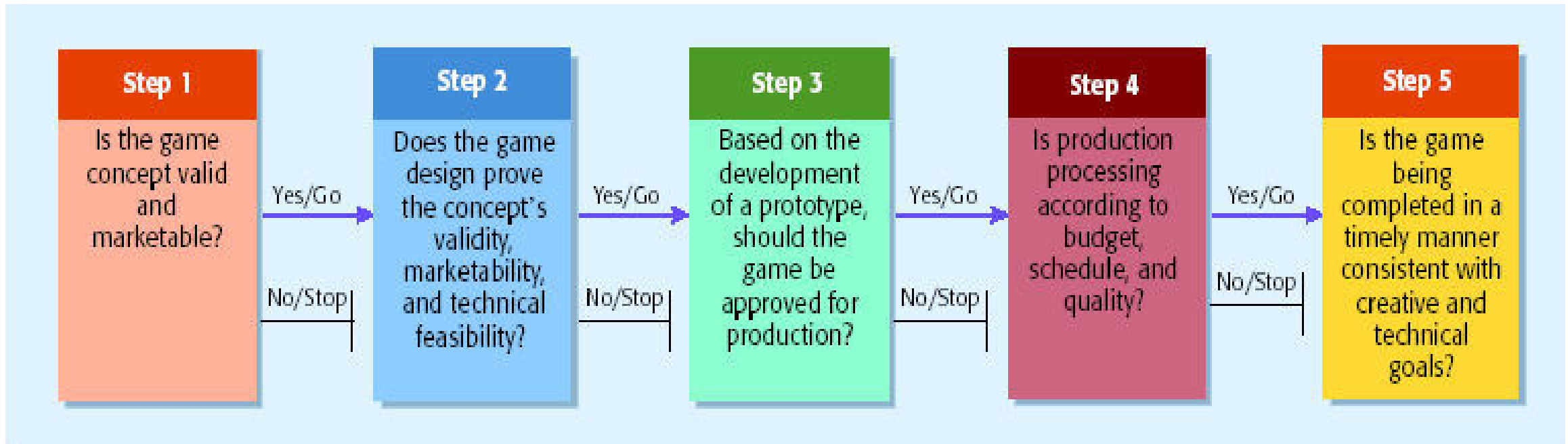
How much would you be willing to pay for the product or service?

Where would you expect to find this product or service for sale?

# Product/Service Feasibility Analysis in Action



- Role of feasibility analysis in the development of successful business ideas at Activision (an electronic games company)
- The Activision “Green Light Process”



## 2. Industry/Target Market Feasibility Analysis



- It is an assessment of the overall appeal of the industry and the target market for the proposed business.
- An industry is a group of firms producing a similar product or service.
- A firm's target market is the limited portion of the industry it plans to go after.



For industry/market feasibility analysis, there are three primary issues that a proposed business should consider:

- ✓ Industry attractiveness,
- ✓ market timeliness, and the
- ✓ Identification of a niche market.



Industries vary in terms of their overall attractiveness.

- ✓ In general, the most attractive industries have the characteristics depicted on the next slide.
- ✓ Particularly important—the degree to which environmental and business trends are moving in favor rather than against the industry .



## **Table 3.4** CHARACTERISTICS OF ATTRACTIVE INDUSTRIES

---

- Are young rather than old
  - Are early rather than late in their life cycle
  - Are fragmented rather than concentrated
  - Are growing rather than shrinking
  - Sell products or services that customers “must have” rather than “want to have”
  - Are not crowded
  - Have high rather than low operating margins
  - Are not highly dependent on the historically low price of a key raw material, like gasoline or flour, to remain profitable
-



- In addition to evaluating an industry's growth potential, a new venture will want to know more about the industry it plans to enter.



# Role of Primary and Secondary Research in Investigating Industry Attractiveness

Type of Research	How It Is Conducted
<b>Primary research</b>	<b>This is research that is original and is collected by the entrepreneur. In assessing the attractiveness of a new market, this typically involves an entrepreneur talking to potential customers and key industry participants.</b>
<b>Secondary research</b>	<b>This is research that probes data that are already collected. Examples of where this data might come from are: industry-related publications, government statistics, competitor's Web sites, and industry reports from research firms like Forrester Research</b>



# Market Timeliness Considerations

<b>Nature of Product or Service Introduction</b>	<b>Major Considerations</b>
<b>Improvement on something already available in the marketplace</b>	<b>Is the window of opportunity open or closed?</b> <ul style="list-style-type: none"><li>• <b>Is now a good time for a new market entrant (i.e. are customers buying, are industry incumbents making money?)</b></li></ul>
<b>Breakthrough new product or service, which should establish a new market segment</b>	<b>Should we try to capture a first-mover advantage or not?</b>



- FIRST MOVER ADVANTAGE ?.....
  
- SECOND MOVER ADVANTAGE? .....



# Entry Strategy For New Entry Exploitation

- **First Mover-** Launching new to the world product or service at least new to the market. (*Pioneer advantage*)
  - 1. First mover faces less competitive rivalry
  - 2. First movers can secure important channels
  - 3. First movers are better positioned to satisfy customers
  - 4. Above-average returns
  - 5. Customer loyalty
  - 6. An early hold on market share



## *Disadvantages of 'Being First'*

1. Demand Uncertainty: Considerable difficulty in accurately estimating the potential size of the market, how fast it will grow, and the key dimensions along which it will grow.
2. Technological Uncertainty: Considerable difficulty in accurately assessing whether the technology will perform and alternate technologies will emerge and leapfrog (game) over current technologies.
3. Uncertainty of Customers: Customers may have considerable difficulty in accurately assessing whether the new product or service provides value for them.



## Second Mover –

- Responds to first mover, typically through imitation Is more cautious than first movers
- Tends to study customer reactions to product innovations
- Tends to learn from the mistakes of first movers, reducing its risks
- Takes advantage of time to develop processes and technologies that are more efficient than first movers, reducing its costs
- Reduce the entrepreneur's costs associated with R&D.
- Reduce customer uncertainty over the firm.



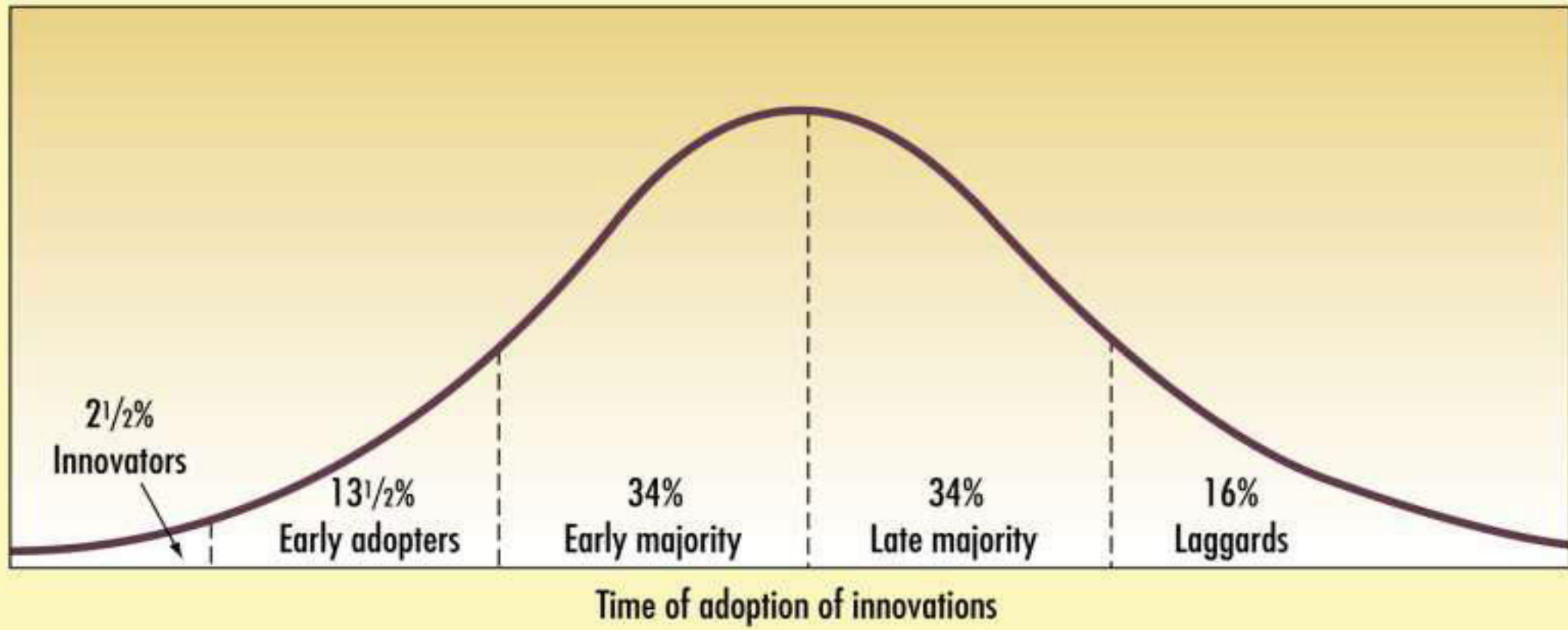
## Late Mover –

- ✓ Responds to market opportunities only after considerable time has elapsed since first and second movers have taken action
- ✓ Has substantially reduced risks and returns



# New Product Adopters Groups

1. **Innovators**- Venturesome, they try new ideas at some risks
2. **Early adopters**- they adopt new ideas early but carefully
3. **Early majority**- Adopt new ideas before average person
4. **Late majority**- Adopt new idea after a majority of people tried it.
5. **Laggards**- people suspicious to changes and adopt new product when it becomes some thing of a tradition itself (essential part of life)





# Identification of a Niche Market

## Identification of a Niche Market

- Niches do not 'exist' but are 'created' by identifying needs, wants, and requirements that are being addressed poorly or not at all by other firms.
- For a new firm, selling to a niche market makes sense for at least two reasons.
- It allows a firm to establish itself within an industry without competing against major competitors head on.
- A niche strategy allows a firm to focus on serving a specialized market very well instead of trying to be everything to everybody in a broad market, which is nearly impossible for a new entrant



## Target Market Attractiveness

- The challenge in identifying an attractive target market is to find a market that's large enough for the proposed business but is yet small enough to avoid attracting larger competitors.



### 3. Organizational Feasibility Analysis

- It is concerned with determining whether the business itself has sufficient skills and resources to bring a particular product or service idea to market successfully.
- Focuses on non-financial resources.
- There are two primary issues to consider in this area:
  - Management prowess.
  - Resource sufficiency.



# Management Prowess

- A firm should candidly evaluate the prowess, or ability, of its management team to satisfy itself that management has the requisite passion and expertise to launch the venture.
- Two of the most important factors in this area are:
  - The passion that the solo entrepreneur or the founding team has for the business idea.
  - The extent to which sole entrepreneur or the founding team understands the markets in which the firm will participate.
- Solo entrepreneurs or founding teams with established social and professional networks also have an advantage



# Management Competence

- An indication of passion is the willingness of a new venture team to complete comprehensive feasibility analysis.



# Resource Sufficiency

- ✓ This topic pertains to an assessment of whether an entrepreneur has sufficient resources to launch the proposed venture.
- ✓ The focus here should be on nonfinancial resources in that financial feasibility is considered separately.
- ✓ To test resource sufficiency, a firm should list the 6 to 12 most critical nonfinancial resources that will be needed to move the business idea forward successfully.
- ✓ If critical resources are not available in certain areas, it may be impractical to proceed with the business idea.



- **Examples of nonfinancial resources that may be critical to the successful launch of a new business**

- Availability of affordable office or lab space.
- Likelihood of local and state government support of the business.
- Quality of the labor pool available.
- Proximity to key suppliers and customers.
- Willingness of high quality employees to join the firm.
- Likelihood of establishing favorable strategic partnerships.
- Proximity to similar firms for the purpose of sharing knowledge.
- Possibility of obtaining intellectual property protection in key areas



## 4. Financial Feasibility Analysis

- For feasibility analysis, a quick financial assessment is usually sufficient.

The most important issues to consider at this stage are:

- ✓ • Total start-up cash needed.
- ✓ • Financial performance of similar businesses.
- ✓ • Overall attractiveness of the proposed venture



# Total Start-Up Cash Needed

- The first issue refers to the total cash needed to prepare the business to make its first sale.
- An actual budget should be prepared that lists all the anticipated capital purchases and operating expenses needed to generate the first \$1 in revenues.
- The point of this exercise is to determine if the proposed venture is realistic given the total start-up cash needed.
- When projecting start-up expenses, it is better to ***overestimate rather than underestimate*** the costs involved.
- ***Murphy's Law*** is prevalent in the start-up world—things will go wrong.
- It is a rare start-up that doesn't have some setbacks in getting up and running.

# Financial Performance of Similar Businesses



- Estimate the proposed start-up's financial performance by comparing it to similar, already established businesses.
- There are several ways to doing this, all of which involve a little ethical detective work.



- First, there are many reports available, some for free and some that require a fee, offering detailed industry trend analysis and reports on thousands of individual firms.
- Second, simple observational research may be needed. For example, the owners of New Venture Fitness Drinks could estimate their sales by tracking the number of people who patronize similar restaurants and estimating the average amount each customer spends.



# Overall Financial Attractiveness of the Proposed Venture

- A number of other financial factors are associated with promising business startups.
- In the feasibility analysis stage, the extent to which a business opportunity is positive relative to each factor is based on an estimate rather than actual performance.
- The table on the next slide lists the factors that pertain to the overall attractiveness of the financial feasibility of the business idea.



- Martin "Marty" Cooper- While at Motorola in the 1970s, Cooper conceived the first handheld mobile phone (distinct from the car phone) and led the team that developed it and brought it to market. He is considered the "father of the cell phone" and is also cited as the first person in history to make a handheld cellular phone call in public.

what went  
*wrong?*

*Satellite Phones: How Feasible Were They?*



# Business Plan



- “Business Plan is **written document** prepared by the entrepreneur that describes all relevant **internal /external elements** & strategies for **starting new venture.**”
- it is **integrated of Functional Plan** (Marketing, HR, Finance, Manufacturing).



it is also called ***Game Plan or Road Map*** to reach the ***destination*** determined by the Entrepreneur.



## *Who should write the Business Plan?*

- Small Business Administrator (**SBA**).
- Service Core of Retired Executive (**SCORE**).
- Small Business Development Centre (**SBDC**).



- The project is initiated with the preparation of formal, written master plan .



- The purpose of this plan is to guide the project manager and team throughout the project life cycle.

# Scope of business plan



- The scope of business plan depends on the **interest of different types of persons interested in the business** who are as follows:
  1. Entrepreneur
  2. Investor
  3. Suppliers
  4. Buyers
  5. Other stakeholders



# Steps (OR) outline of business Plan

- 1.Introductory page**
- 2. Executive summary**
- 3.Environmental and Industry Analysis**
- 4.Description of the venture**
- 5.Production / Operational plan**

Cont...



**6. Marketing plan**

**7. Organisational plan**

**8. Assessment of Risk**

**9. Financial Plan**

**10. Appendices**



# 1. Introductory page

This is the title or cover page that provides a brief summary of the business plans contents it should contain the following:

- Name and address of the company
- Name of the entrepreneur, telephone number, fax number, e-mail address



## 2. Executive summary

- This section of the plan is written after the total plan is prepared.
- The executive summary should stimulate the interest of the potential investor
- It would highlight in a Concise and convincing manner the key points in the business plan.

# 3.Environmental and Industry Analysis



- Environmental analysis is the assessment of external uncontrollable variables that may impact the business plan

Examples of these factors is:

- **Economy**: Trends in GNP, unemployment, disposable income and so on



- **Culture:** Shifts in the population by demographics, shifts in attitudes, concern For environment trends in safety, health and nutrition.
- **Technology:** Potential technological developments.



- **Legal Concerns:** Legal issues in starting the ventures future legislation, Deregulation of prices, restrictions on media advertising and safety regulations.
- Once an assessment of the environment is complete, the entrepreneur should conduct an industry analysis that will focus on specific industry trends and competitive strategies



- **Industry Demand:** Whether market is growing or declining, the number of new Competitors and possible changes in consumer needs.
- **Competition:** Potential threats from larger corporations, their strengths and Weaknesses.

## 4. Description of the venture



- ✓ This provides complete overview of products, Services, and operations of the new venture
- ✓ This statement describes the nature of the Business and what the entrepreneur hopes to accomplish with that business.

# 5. Production / Operational plan



- If the new venture is a manufacturing operation a production plan is necessary.
- This is plan will describe the complete manufacturing process, the subcontractors (if any), including location, reasons for selection, cost and any contracts that have been completed.



- If the venture is not a manufacturing operation but a retail store, service, or some other type of non manufacturing business
- This section would be titled operational plan and the entrepreneur would then need to describe the chronological steps in completing a business transaction.



## 6. Marketing plan:

- It describes the market conditions and the strategy related to how products and services will be distributed, priced and promoted.



- Marketing research evidence to support any of the critical marketing decision strategies as well as for forecasting sales should be described in this section.

# 7. Organisational plan



It describes the form of ownership and lines of authority and Responsibility of members of the new venture.



This information provides the Potential investor with a clear understanding of who controls the organization and how other members will interact in performing their management functions.

## 8. Assessment of Risk:



This is section will identify the potential hazards and Alternative strategies to meet business plan goals and objectives.



- Major risks for a new venture could result from a competitor's reactions; weaknesses in the marketing, production or management team;
- And new advances in technology that might render the new product obsolete.

# 9. Financial Plan



This gives the projections of key financial data that determine economic feasibility and necessary financial investment commitment.



- The first area should summarize the forecasted sales and the appropriate expenses for at least the first three years.
- Second information needed is cash flow figures for three years and the last information needed is the projected balance sheet.

# 10. Appendices



- The Section generally contains any backup material that is not necessary in the text of the document.
- Reference to any of the documents in the appendix should be made in the plan itself.

# Significances of of Business plan



- Analysis of ideas on a piece of paper
- Help in convincing others
- Reducing in emotional bias
- Provide SWOT analysis
- Justify ones Ideas/ plans



- Develop consistent strategy
- Achieve ones commitment
- Feasibility study
- Action plan
- Selling tool
- Fund raising
- Evaluating progress

## Common Pitfalls in the Preparation of the Business Plan



- While there is no specific format that every business plan has to compulsorily follow, there are definitely

some common pitfalls that have to be avoided by first time entrepreneurs.



- **Capacity utilization**
- **Understanding of the market**
- **Over estimation/ Underestimation of demand**
- **Selection of appropriate machineries:**
- **Project planning and implementation strategies**



- **Under estimation of project cost**
- **Wrongful selection of business location**
- **Unrealistic pricing strategies**
- **Lack of understanding of trading channels:**
- **The plan is incomplete and not well written**
- **The plan is too vague**



- **The plan is too detailed**
- **The plan makes unfounded or unrealistic assumptions**
- **Inadequacy of research**
- **The lack of risk identification and measures to manage it / Underestimating the risks involved**



- <https://www.youtube.com/watch?v=2LFeAPALnr0>



## • **Capacity utilization:**

- Generally entrepreneurs assume wrong capacity utilization figures.
- This assumption is based on complete discount of current market conditions, availability of raw materials, competition, etc.



## • **Understanding of the market:**

- Many entrepreneurs **fail to assess market potential** objectively.
- They gather population, age, income and other such figures in a general manner and conclude that the market is waiting to be tapped.
- This can lead to disappointment later when he actually enters the market.



- The **failure to assess the market potential accurately** can lead to a disastrous start.
- **Dependency on old data and inaccurate collection of data** can lead to a wrong understanding of the market.



## **Over estimation/ Underestimation of demand:**

- Many entrepreneurs get excited about the idea and get carried away with an illusion that there is a huge demand for the product/service he intends to offer.
- They gather data of daily sales and multiply it with 365 days and conclude that it is the aggregate demand.



- The entrepreneurs sometimes get carried away by their passion and overestimate the demand or are too cautious and so underestimate the demand for their products / services.
- This can have a disastrous effect on the rest of the projected figures and can be very different from the actual ground reality too. Demand forecasting is not so simple and they are unaware of the qualitative and quantitative ways of forecasting demand, which consists of various methods.



- **Selection of appropriate machineries:**

- This is an area where faulty decisions are common. Many entrepreneurs get carried away by words of vendors of the technology/machineries.
- These vendors may not have clear idea about your business, product and finance but still influence the decision to buy them.



- **Project planning and implementation strategies:**

- Many entrepreneurs do not pay attention to project planning and its implementation strategies.
- They do not know how to plan and what are the scientific tools (like PERT, CPM AND Gantt charts) used for project planning.



- This may lead to the cost of the project to shoot up and make the project non feasible. Also, entrepreneurs don't pay sufficient interest to updating the project planning and implementation strategies information into the business plans.
- This is one of the important details that any investor will want to know.



- **Under estimation of project cost:**
- Entrepreneurs sometimes do not take a comprehensive view of the project costs.
- There are many hidden costs and many inflationary aspects to be considered.
- In the absence of the same, the business plan fails to provide accurate inputs on the project.



- Financial institutions expect higher level of contribution from entrepreneurs when it comes to working capital.
- Hence the promoters tend to underplay the estimation of project cost and poses problems when the project is up and running.



- **Wrongful selection of business location:**

- Entrepreneurs normally don't take a comprehensive view when they select their business location.
- Some temptations cannot be avoided like choosing their ancestral property or hometown without paying attention to other business factors.
-



## • **Unrealistic pricing strategies:**

- Many entrepreneurs tend to fix the price of the product/service higher than the market price citing superior quality.
- Although it may be comfortable to make such assumption, it can be short lived.
- Hence it is imperative to be aware of the various pricing strategies and then proceed.



- **Lack of understanding of trading channels:**
- If the entrepreneur does not have knowledge of the market conditions, he may fall at the mercy of the intermediaries.
- In many cases the C&F agents and other intermediaries have more knowledge about the market and demand than the entrepreneur.



## • **The plan is incomplete and not well written**

- Any business plan has to provide the relevant details with regards to all those aspects that are applicable to it.
- Marketing and sales, finance and operations, production and quality, human resource aspects are all applicable to almost all businesses.
- At an absolute minimum, a plan must cover all these areas in detail and without an inaccuracies.



## • **The plan is too vague**

- A business plan is not an encrypted piece of information or a poem. It has to be specific and should provide specific details of all the elements included.



- **The plan is too detailed.**

- Micro detailing of technical aspects and other elements will lead to the readers getting bored and losing interest in reading further.
- The technical details and the jargon are to be kept to the minimum required extent.



- **The plan makes unfounded or unrealistic assumptions**

- Business plans, by their very nature are founded on assumptions. However, these assumptions need to be justifiably true and relevant for the plan to be accepted. Unrealistic and unfounded assumptions can derail the business plan.



# • Inadequacy of research

- If the research done prior to the writing of the business plan is inadequate, it is made visible to the readers in the plan itself.
- It is important to tie the assumptions together with accepted facts. Well intentioned investors will question the seriousness of your business venture if there is no sufficient research done to substantiate your assumptions and forecasts.



- **The lack of risk identification and measures to manage it / Underestimating the risks involved**
- There is no business that can claim to be completely risk free. However, lack of risk identification and measures to manage it or underestimating the risks involved can derail the business plan completely.

# Kinds of business plan



- **Start up plan**
- **Internal plan**
- **Operational plan**
- **Strategic plan**
- **Growth plan or expansion plan or new product plan**

# Kinds of business plan



**1. Start up plan:** A start up plan defines the steps for a new business. It covers standard topics including the company , product or service market , forecasts, strategy, implementation milestones, mgt team , and financial analysis.

The financial analysis includes projected sales , profit and loss , balance sheet, cash flow , and probably a few other tables

- the plan starts with an executive summary and ends with appendices showing monthly projections for the first year.

# Internal plan:



- Internal plans are not intended for outside investors , banks or other third parties.

They may or may not include detailed financial projections that become forecasts and budgets.

they may cover main points as bullet points in slides (such PPT) rather than detailed texts.

# Operational plan :



- An operational plan is normally an internal plan , and it might also be called an internal plan or an annual plan.
- It would normally be more detailed on specific implementation milestones , dates , deadlines and responsibilities of teams and managers

# Strategic plan :



- A strategic plan is usually also an internal plan, but it focuses more on high level options and setting main priorities than on the detailed dates and specific responsibilities.
- It might be more bullet points and slides than text



- **Growth plan or expansion plan or new product plan:** These plans will sometimes focus on specific area of business or subset of business.
- **Feasibility Plan:** A feasibility plan is a very simple start up plan that includes a summary , mission statement, keys to success, basic market analysis, and preliminary analysis of costs, pricing , and probable expenses.
- This kind of plan is good for deciding whether or not to proceed with a plan, to tell if there is business worth pursuing.





# Features of a Good Business Plan:

- Some of the ***features of a good business plan*** are -

- It should be an ***honest plan*** with well – supported information.
- A well written plan should be ***brief***, clearly identifying products, services, markets and founders.
- It should be prepared in a ***quality manner***.
- It should be ***easy to read***.

.



- It should be ***complete and accurate***.
- There should be ***no spelling mistakes*** or mistakes in data.
- Language should be ***clear, brief, concise*** and not abstract.
- It should make clear and realistic ***financial projections***.
- The words like ***'I think'*** or ***'I believe'*** should be avoided



- It should be prepared after ***detailed market research*** and detailed competitor's research.
- It should describe key ***decision makers***.
- It should end up with a ***thorough summary***.



## *Importance of a Business Plan:*

- Business plan ***describes the venture*** that an entrepreneur will create to exploit a concept.

## **It has few primary function:**

- ***a) Action Plan:***

It helps to move an entrepreneur ***to action***.

It will help an entrepreneur to pull apart the pieces of ***starting a business*** and examine each piece by itself.

It help entrepreneur to ***move from concept to action*** by breaking down a task into many smaller for starting a business.



b) Adopt a **continuous** and **regular business planning** cycle because that keeps your **plan up-to-date**.

**c) Road Map:**

Business plan can be **invaluable tool** for entrepreneur to be on track after starting the business.

It is very easy to **lose sight of objectives** and goals, even in busy schedule of daily business.

Business plan help to keep **focus** and also help others like suppliers, customers, employees, etc. to **understand the vision of entrepreneur**.



- d) **Reviewal of business plan** will indicate where business currently is and where does the entrepreneur want to go.
- e) It keep the entrepreneur **focused, inspires employees** and attracts customers.
- f) It helps to focus ideas and serves as a **feasibility study** of business chances for success and growth.



- ***g) Sales Tool:***

BP serves as a ***sales tool***.

Entrepreneur need ***outside financing*** to start his business and he needs to ***convince investors*** to come on board.

Business plan help entrepreneur to get ***concessions from suppliers***.

BP serve to sell people close to entrepreneur on ***benefits of proceeding*** with his concept.



- h) It is a ***strong communication tool*** for the business.
- i) It helps to ***manage the business*** and prepare for success in business.
- j) The finished report serves as an ***operational tool*** to definite possibilities.

# PREPARATION OF BUSINESSPLAN



- Business Plan consists of a ***narrative and several financial*** worksheets.
- Narrative part is the ***body of the business plan***.
- Value of creating a business plan is not in having finished product in hand, rather the value lies in process of ***researching and thinking*** about business.



- It helps you to think ***things thoroughly*** and look at your ideas critically.
- It takes ***several weeks*** to complete a good plan and most of the ***time spent in research and rethinking*** your ideas and assumptions.





# Feasibility analysis

- Feasibility analysis / appraisal is a process of investigation review and evaluation undertaken as the project or alternative concepts of the project are defined .
- This study is designed to assist the client to reach informed and rational choices concerning the nature and scale of investment in the project and to provide the brief for subsequent implementation .



# Objective of feasibility analysis

- **1. To assess project Results:** To find out if and how objectives are being met and are resulting in desired changes
- **2. To improve project management and process planning:** To better adapt to contextual and risk factors such as social and power dynamics that affects the research process
- **3. To promote learning:** To identify lessons of general applicability , to learn how different approaches to participation affect outcomes , impact and reach to learn what works and what does not , and to identify what contextual factors enable or constrain the participatory research



- 4. **To establish new knowledge**: The purpose of evaluation is to establish new knowledge about social problems and the effectiveness of policies and programs designed to alleviate them
- 5. **To understand different stakeholders perspectives**: To allow , through direct participation in the monitoring and evaluation process, the various people involved in a research project to better understand each others views and values and to design ways to resolve competing or conflicting views and interests
- 6. **To ensure accountability** : To assess whether the project is effectively , appropriately , and efficiently executed to be accountable to they key agencies supporting the work.



- **7. Best use of funds:** The purpose of evaluation is to make the best possible use of funds by the programme managers who are accountable for the worth of their programmes
- **8. To avoid weakness and future mistakes:** Measuring accomplishment in order to avoid weaknesses and future mistakes
  - 1) observing the efficiency of the techniques and skills employed
  - 2) Scope for modification and improvement
  - 3) verifying whether the benefits reached the people for whom the programme was meant.



# Importance of feasibility analysis

- **1. Understanding demand** : feasibility always analyze whether a real demand exists for a product or service . This holds true for internal projects as well as for potential consumer offerings.
- **2. Assesing Resources**: Another advantages of feasibility studies is the opportunity to catalogue the current resources available for a project and to estimate the need for additional resources.

Feasibility studies that recommend against projects often cite a lack of human resources or financial capital. This kind of result gives a project manager the opportunity to reset expectations based on real budgets and headcount.



- **3. Marketing feasibility** : Even for products and services with measurable demand, companies must examine their ability to spread the word about a new offering.
- During a feasibility study, project mgrs learn whether the market is already over saturated with strong competitors .
- Company leaders can also discover any potential legal roadblocks involving trademarks, patents or other intellectual property rights.



- **4. Marking a timeline**: One of the biggest advantages of a feasibility study is the validation of a prospective timeline. When moving into a formal project planning phase, a project manager can use data generated by the study to help set milestones and deadlines .
- Quality feasibility study examines the timetable suggested by project sponsors for potential delays or breakdowns.



# Need for comprehensive feasibility study

- Inadequate market knowledge
- Faulty product performance
- Ineffective marketing and sales effort
- Inadequate awareness of competitor's reaction
- Rapid product obsolescence
- Poor timing of starting the venture
- Undercapitalization, unforeseen operating expenses, excessive investments & related financial difficulties



# Types of feasibility studies

- Product or service feasibility
- Technical Feasibility
- Market Feasibility
- Financial Feasibility
- Operational Feasibility



# Product or service feasibility

- Product or service feasibility is an assessment of the overall appeal of the product or service being proposed.
- Before rushing a prospective product or services into development , a firm should be confident that it is what customers want and that the product or service will have an adequate market.
- In launching a new firm, it is easy for an entrepreneur to get caught up in activities such as raising money, hiring employees, buying computer equipment , signing leases, writing press releases , and so on.

# Technical Feasibility



## **Identification of critical technical specification comprising:**

- The functional design of the product
- Adaptability to new customer demand
- Durability
- Reliability of performance
- Safety
- Reasonable utility(acceptable level of obsolescence)
- Standardization (elimination of unnecessary variety)



## b) Examination of product-quality-cost relationship:

Trade-off between technical excellence and associated cost

- Entrepreneur should avoid unnecessary gold plating when the market situation doesn't justify it.



### **c)Product testing:**

- Engineering studies relating to machinery, tools, instruments, work flow etc
- product development through blueprint, models, prototypes
- product testing through lab & field testing

# Market Feasibility



- **Identifying the market potential**: Estimation of current demand projection of future market trends identify specific end users, major market segments, potential volume of purchasers within each market segment.
- Ex:- A potential manufacturer of helmets may find out the annual production of two wheelers percentage of helmets and proportion of demand already met.



## **B) Estimating cost-volume relationship:-**

- The price levels must reflect the value of the product
- The Cost-Volume Analysis would facilitate the determination of appropriate economy of scales i.e. optimum size of enterprise which has lowest average per unit cost of production & distribution.
- Helps ascertain how various price levels may affect the total sales volume



- **C) Sources of Market Info:-**

- Relevant data for market analysis can be gathered from Primary Sources (Interview, Questionnaire)
- Secondary Sources (Govt. Agencies, Chamber of Commerce, Trade Association etc)
- Data relating to general economic trends-housing activity, consumer spending, inventories
- Pricing data-price for same, complementary, substitute products, discount structure
- Channels of distribution-wholesale & retail
- Demand pattern, seasonal variation
- Competitors



## **D) Market Testing:-**

- Displaying the product at trade fairs
- Test marketing to analyze the receptivity of product
- Sample sales Use:
- **Likely sales volume & profitability**
- **Sales volume at different price levels**
- **Soundness of chosen market strategy**
- **Unknown weakness that need attention**

# Financial Feasibility



## Determination of total financial requirement:

- **Initial Expenses**
- **Fixed Investments**
- **Operational Expenditure**
- **Contingency**
- Provision must be made for cost escalation, appropriate sales forecast should also be made.
- Projection could be weekly or monthly.

# Financial Feasibility



## B) Financial Resources & Other Costs:-

- Short-term Resources-payable in 1 year
- Term Loans
- Intermediate term loans- available for 1-3 years(even 5)
- Long term loans- banks, equity capital & reinvestment of earnings

## c) Cash Flow Analysis

## D) Anticipated Return on Investment



# Operational feasibility

- OF is dependent on human resources available for the project and involves projecting whether the system will be used if it is developed and implemented.
- It is also known as behavioral feasibility
- Organization should communicate with system users , sharing timetables and implementation schedules, the dates, times and locations of upcoming briefings and training.
- Users should be educated and trained on how to work under the new constraints while avoiding any negative performance consequences.



- Elements of operational Feasibility:

1. process
2. Evaluation
3. Implementation
4. Resistance
5. Strategies
6. Adapt and review



- **Market Feasibility:** Marketing of the product or service is the biggest task of any business enterprise.
- Entrepreneur involved in small business should feel that their business will be secured with good marketing effort.
- The success of any business is mainly depending on its marketing effort and the market share that it possesses.



- For beginners it is not advisable to get into a project particularly the first which would not mean survival amidst cut throat competition involving direct selling to the ultimate consumer.
- Marketing objective is to match total enterprise resource against market requirement and opportunities.
- The focus should be on marketing strategies and planning.
- The firm has to manufacture what it can sell.
- Marketing seeks to create markets and develop saleable products.



- **Financial Feasibility:** The financial aspect of any business will tell us the total capital outlay of the proposed business, the sources through which they can be availed, the cost of capital and its implication in the proposed business. The comprehensive analysis of these issues will give an indication whether the proposed business is viable or not.
- 
- The areas where finance would be needed after the small scale industrialist has acquired the land are:
  - Purchase and installation of machinery
  - Procurement of raw materials and components and the manufacture of products - Working funds
  - Availability of funds until the realisation of sales.
- The State Director of Industries provides loans for block capital under industries Act.



- State Finance Corporation (SFC) provides long term credit for the purchase of fixed assets. - The application should be submitted to the SFCs along with the following documents a. Project Report
- Copy of registration
- Cash flow statement
- Commercial banks provide medium term instalment credit. It also provides loans for meeting working capital for purchase of raw materials and also day to day requirements.
- In order to get loan from a commercial bank the entrepreneur has to fill an application.
- The purpose of loan application is to convince a lender that the project is a desirable investment that it not only possesses the potential for profit but also the proposed management team has the capability to achieve the potential.



- The investment proposal normally contains
- General information on the product, company history, the nature of industry and the reputation and qualifications of the existing or proposed management.
- A description of the project, which usually consists of extracts from economic feasibility studies and includes information on such items as market, production, selected manufacturing method and a financial statement.
- Miscellaneous information such as the step taken for the implementation of the project and the qualifications of the technical partners envisaged or selected.
- -



- A financial analysis study has to be made which should include the following
- For projects that involve new companies statement of total project cost, initial capital requirement and cash flows relative to the project schedule.
- For all projects, supporting schedules for financial projection, stating assumption made as to the collection period of sales, inventory levels, payment period of purchases and expenses and the element of production cost, selling, administrative and financial expenses.
- It is necessary to have a sensitivity analysis to identify items which have a substantial impact on profitability or possibly a risk analysis



- For all project a financial analysis showing returns on investment, returns on equity, break even volume and price analysis.
- Once the industry is identified a financial feasibility report giving a comprehensive idea of an industry's financial requirements and viability of proposed business.



- **Technical Feasibility:** This is another vital issue to be examined in detail by the entrepreneur.
- Small projects need not go for very high technology based product which involves huge cost.
- It is better to adopt proven technology that is indigenously available.
- In techno economic analysis, estimation of the project demand potential and aid in project design.
- Technical feasibility analysis gives the proposed business on unique individuality and sets the stage for detailed design development.



- The technical analysis of the proposed SSI establishes whether the project is technically feasible or not.
- It also provides an opportunity for consideration of the effect of various technical alternatives on employment, ecology, infrastructure demands, capital services, support of other industries, balance of payment and other factors.
- Some of the following factors are examined where the proposed to be adopted is not well established
- Whether the technology/process is patented or not;
- Degree of reliability of proposed process;
- Scale of development i.e., whether laboratory scale, pilot plant scale etc.
- Flexibility i.e., whether the equipment for the process can be used for alternative processes or products.
- In order to expedite the examination of technological aspects, the borrower should be fully prepared with explanations for selecting a particular process, technology and its technoeconomic advantages over the available process. The borrower should also prepare flow charts, material balance sheet, and requirement of utilities and specifications of process parameters.



- **Social Feasibility:** Apart from looking into the various issues of a project in terms of investment costs and benefits which accrue to the project directly, it is necessary to consider
- the total impact of the project on the society. With a view to evaluate the project, the social cost benefit analysis is used.
- Social cost benefit analysis does not look as just an investment proposition.
- Whatever may be the impact of the project on the economy or nation, it takes into account just as the existing equilibrium of the economy.



- In the cost benefit analysis also the extent to which the project which will help the society to improve its image or profile is indicated.
- Entrepreneur who take to a particular business activity besides considering various start up issues should also consider whether the proposed business activity satisfy the social need of the society.
- Social need concept considers several societal aspects
- Environmental protection
- Maintaining values in the society
- Stopping depletion of rain forest
- Creating employment opportunities for the people of the locality etc



- As far as possible the proposed business should serve the cause of the society and should not be an obstacle for the value maintenance of the society.
- Social cost benefit analysis considers the following
- The estimation of cost and benefits which will accrue to individual members of the society as consumers or as suppliers of factor input.
- Costs and benefits accrue to the community
- Cost and benefit accrue to the entrepreneur over the period of time to determine the feasibility of the proposed business activity.
- In social feasibility analysis entrepreneurs have to study the problem of social economy to know as to how their business would help the society in enhancing the social values and returns.
- To conclude entrepreneur should examine all the start up issues such as locations, clearance formalities, licensing, registration, market feasibility, financial estimates, technical and social feasibility to succeed in his venture.



# Methods of feasibility analysis

- The important feasibility study techniques are classified into two broad categories
  1. Discounting techniques
  2. Non Discounting techniques

# Non Discounting techniques



**a) Pay back period method:** The pay back period is defined as the number of years required for the proposals cumulative cash inflows to be equal to its cash out flows.



**b) Return on Investment Method (ROI) / Average rate of return ARR:**

The capital investment proposals are judged on the basis of their relative profitability.

$$\text{ROI} = \text{net Profit} / \text{Total investment} \times 100$$

# Discounting techniques



- Net present Value
- Rate of Return / Internal rate of Return
- Profitability index



## A) Net present Value method (NPV ):

- The net present value method is a modern method of evaluating investment proposals .
- This method takes into consideration the time value of money and attempts to calculate the return on investments by introducing the factor of time element. It recognized the fact that a rupee earned today is worth more than the same rupee earned tomorrow.

The net present values of all inflows and out flows of each occurring during the entire life of the project is determined separately for each year by discounting these flows by the firms cost of capital or a pre determined rate.

NPV=

# Profitable index (PI ) METHOD/ BENEFIT COST RATIO :



It is also a time adjusted method of evaluating the investment proposals .

Profitability index also called as benefit cost ratio (BCR ) or Desirability factor is the relationship between present value of cash inflows and the present value of cash outflows

$PI = \text{present value of cash inflows} / \text{present value of cash outflows}$

The profitability index may be found for net present values of inflows

$PI = PV \text{ of cash inflows} / \text{initial cash outlay}$





- The proposal is accepted if the profitability index is more than one and is rejected in case the profitability index is less than one.
- The various projects are ranked under this method in order of their profitability index, in such a manner that one with higher profitability index is ranked higher than the other with lower profitability index.



# Internal rate of Return (IRR ) Method

- IRR is a discount rate at which NPV becomes zero
- IRR is the opportunity cost at which the NPV becomes zero
- IRR as the name suggests, it tells how much rate of return are we getting from the project
- IRR is used to rank different projects
- the highest a projects internal rate of return the more desirable it is to undertake the projects.
- If all the other factors are same for different projects then the project with the higher IRR value should be considers.

# Relationship between IRR , Discount rate and NPV



If  $IRR > \text{Discount Rate (or) opportunity cost} \Rightarrow \text{THE NPV is +}$

$IRR < \text{Discount Rate (or) opportunity cost} \Rightarrow \text{THE NPV is -}$

$IRR = \text{Discount Rate (or) opportunity cost} \Rightarrow \text{THE NPV is zero}$



# Internal rate of Return (IRR ) Method

- The internal rate of return is usually the rate of return that a project earns . It is defined as the discount rate ( $r$ ) which equates the aggregate present value of the net cash inflows with the aggregate present values of cash outflows of a project.
- The second discounting cash flow (DCF) OR Time adjusted method for appraising capital investment decisions is the internal rate of return method. This technique is also know as rate of return , yield on investment , marginal efficiency of capital , marginal productivity of capital , rate of return and time adjusted rate of return and so on.



- Note : for constant rate of cash inflow for every year , IRR Can be calculated with help of formula
- For uneven rate of cash inflows for every year IRR can be calculated by little trial and error adjustment



# Business plan

- A business plan is a written document that describes all the steps necessary in opening and operating a particular proposed business.
- The project is initiated with the preparation of formal , written master plan .
- The purpose of this plan is to guide the project manager and team throughout the project life cycle.



- The business plan is a written document prepared by the entrepreneur that describes all the relevant external and internal elements involved in starting a new venture.
- It is often an integration of functional plans such as marketing, manufacturing and human resources.

# Scope of business plan



- The scope of business plan depends on the interest of different types of persons interested in the business who are as follows:
  1. Entrepreneur
  2. Investor
  3. Suppliers
  4. Buyers
  5. Other stakeholders

# Steps (OR) outline of business Plan



1. **Introductory page**
2. **Executive summary**
3. **Environmental and Industry Analysis**
4. **Description of the venture**
5. **Production / Operational plan**
6. **Marketing plan**
7. **Organisational plan**
8. **Assessment of Risk**
9. **Financial Plan**
10. **Appendices**

# 1. Introductory page



- This is the title or cover page that provides a brief summary of the business plans contents it should contain the following:
- Name and address of the company
- Name of the entrepreneur, telephone number, fax number, e-mail address

## 2. Executive summary



- This section of the plan is written after the total plan is prepared.
- The executive summary should stimulate the interest of the potential investor
- It would highlight in a Concise and convincing manner the key points in the business plan.



## 3.Environmental and Industry Analysis

- Environmental analysis is the assessment of external uncontrollable variables that may Impact the business plan, Examples of these factors is:
- **Economy:** Trends in GNP, unemployment, disposable income and so on
- **Culture:** Shifts in the population by demographics, shifts in attitudes, concern For environment trends in safety, health and nutrition.
- **Technology:** Potential technological developments.
- **Legal Concerns:** Legal issues in starting the ventures future legislation, Deregulation of prices, restrictions on media advertising and safety regulations.
- Once an assessment of the environment is complete, the entrepreneur should conduct an industry analysis that will focus on specific industry trends and competitive strategies
- **Industry Demand:** Whether market is growing or declining, the number of new Competitors and possible changes in consumer needs.
- **Competition:** Potential threats from larger corporations, their strengths and Weaknesses.



## 4. Description of the venture

This provides complete overview of products, Services, and operations of the new venture,

This statement describes the nature of the Business and what the entrepreneur hopes to accomplish with that business.



## 5. Production / Operational plan:

- If the new venture is a manufacturing operation a production plan is necessary. This is plan will describe the complete manufacturing process, the subcontractors (if any), including location, reasons for selection, cost and any contracts that have been completed.
- If the venture is not a manufacturing operation but a retail store, service, or some other type of non manufacturing business, this section would be titled operational plan and the entrepreneur would then need to describe the chronological steps in completing a business transaction.



## 6. Marketing plan:

- It describes the market conditions and the strategy related to how products and services will be distributed, priced and promoted.
- Marketing research evidence to support any of the critical marketing decision strategies as well as for forecasting sales should be described in this section.



# 7. Organisational plan

It describes the form of ownership and lines of authority and Responsibility of members of the new venture.

This information provides the Potential investor with a clear understanding of who controls the organization and how other members will interact in performing their management functions.



## 8. Assessment of Risk:

This is section will identify the potential hazards and Alternative strategies to meet business plan goals and objectives.

Major risks for a new venture could result from a competitor's reactions; weaknesses in the marketing, production or management team;

And new advances in technology that might render the new product obsolete.



# 9. Financial Plan

This gives the projections of key financial data that determine economic feasibility and necessary financial investment commitment.

The first area should summarize the forecasted sales and the appropriate expenses for at least the first three years.

Second information needed is cash flow figures for three years and the last information needed is the projected balance sheet.



# 10. Appendices

The Section generally contains any backup material that is not necessary in the text of the document.

Reference to any of the documents in the appendix should be made in the plan itself.

## Common Pitfalls in the Preparation of the Business Plan



- While there is no specific format that every business plan has to compulsorily follow, there are definitely some common pitfalls that have to be avoided by first time entrepreneurs.



- **Capacity utilization**
- **Understanding of the market**
- **Over estimation/ Underestimation of demand**
- **Selection of appropriate machineries:**
- **Project planning and implementation strategies**
- **Under estimation of project cost**
- **Wrongful selection of business location**
- **Unrealistic pricing strategies**
- **Lack of understanding of trading channels:**



- **The plan is incomplete and not well written**
- **The plan is too vague**
- **The plan is too detailed**
- **The plan makes unfounded or unrealistic assumptions**
- **Inadequacy of research**
- **The lack of risk identification and measures to manage it / Underestimating the risks involved**



- **Capacity utilization:**

Generally entrepreneurs assume wrong capacity utilization figures. This assumption is based on complete discount of current market conditions, availability of raw materials, competition, etc.

- **Understanding of the market:**

Many entrepreneurs fail to assess market potential objectively. They gather population, age, income and other such figures in a general manner and conclude that the market is waiting to be tapped. This can lead to disappointment later when he actually enters the market. The failure to assess the market potential accurately can lead to a disastrous start. Dependency on old data and inaccurate collection of data can lead to a wrong understanding of the market.



## **Over estimation/ Underestimation of demand:**

- Many entrepreneurs get excited about the idea and get carried away with an illusion that there is a huge demand for the product/service he intends to offer. They gather data of daily sales and multiply it with 365 days and conclude that it is the aggregate demand. The entrepreneurs sometimes get carried away by their passion and overestimate the demand or are too cautious and so underestimate the demand for their products / services. This can have a disastrous effect on the rest of the projected figures and can be very different from the actual ground reality too. Demand forecasting is not so simple and they are unaware of the qualitative and quantitative ways of forecasting demand, which consists of various methods.



- **Selection of appropriate machineries:**

This is an area where faulty decisions are common. Many entrepreneurs get carried away by words of vendors of the technology/machineries. These vendors may not have clear idea about your business, product and finance but still influence the decision to buy them.



- **Project planning and implementation strategies:**

Many entrepreneurs do not pay attention to project planning and its implementation strategies. They do not know how to plan and what are the scientific tools (like PERT, CPM AND Gantt charts) used for project planning. This may lead to the cost of the project to shoot up and make the project non feasible. Also, entrepreneurs don't pay sufficient interest to updating the project planning and implementation strategies information into the business plans. This is one of the important details that any investor will want to know.



- **Under estimation of project cost:**

Entrepreneurs sometimes do not take a comprehensive view of the project costs. There are many hidden costs and many inflationary aspects to be considered. In the absence of the same, the business plan fails to provide accurate inputs on the project. Financial institutions expect higher level of contribution from entrepreneurs when it comes to working capital. Hence the promoters tend to underplay the estimation of project cost and poses problems when the project is up and running.



- **Wrongful selection of business location:**

Entrepreneurs normally don't take a comprehensive view when they select their business location. Some temptations cannot be avoided like choosing their ancestral property or hometown without paying attention to other business factors.



- **Unrealistic pricing strategies:**

Many entrepreneurs tend to fix the price of the product/service higher than the market price citing superior quality. Although it may be comfortable to make such assumption, it can be short lived. Hence it is imperative to be aware of the various pricing strategies and then proceed.

- **Lack of understanding of trading channels:**

If the entrepreneur does not have knowledge of the market conditions, he may fall at the mercy of the intermediaries. In many cases the C&F agents and other intermediaries have more knowledge about the market and demand than the entrepreneur.



- **The plan is incomplete and not well written**
- Any business plan has to provide the relevant details with regards to all those aspects that are applicable to it. Marketing and sales, finance and operations, production and quality, human resource aspects are all applicable to almost all businesses. At an absolute minimum, a plan must cover all these areas in detail and without inaccuracies.
- **The plan is too vague**
- A business plan is not an encrypted piece of information or a poem. It has to be specific and should provide specific details of all the elements included.
- **The plan is too detailed.**
- Micro detailing of technical aspects and other elements will lead to the readers getting bored and losing interest in reading further. The technical details and the jargon are to be kept to the minimum required extent.



- **The plan makes unfounded or unrealistic assumptions**
- Business plans, by their very nature are founded on assumptions. However, these assumptions need to be justifiably true and relevant for the plan to be accepted. Unrealistic and unfounded assumptions can derail the business plan.
- **Inadequacy of research**
- If the research done prior to the writing of the business plan is inadequate, it is made visible to the readers in the plan itself. It is important to tie the assumptions together with accepted facts. Well intentioned investors will question the seriousness of your business venture if there is no sufficient research done to substantiate your assumptions and forecasts.
- **The lack of risk identification and measures to manage it / Underestimating the risks involved**
- There is no business that can claim to be completely risk free. However, lack of risk identification and measures to manage it or underestimating the risks involved can derail the business plan completely.



# Kinds of business plan

1. **Start up plan**: A start up plan defines the steps for a new business. It covers standard topics including the company , product or service market , forecasts, strategy, implementation milestones, mgt team , and financial analysis.

The financial analysis includes projected sales , profit and loss , balance sheet, cash flow , and probably a few other tables

- the plan starts with an executive summary and ends with appendices showing monthly projections for the first year.

# Internal plan:



- Internal plans are not intended for outside investors , banks or other third parties.

They may or may not include detailed financial projections that become forecasts and budgets.

they may cover main points as bullet points in slides (such PPT) rather than detailed texts.



# Operational plan :

- An operational plan is normally an internal plan , and it might also be called an internal plan or an annual plan.
- It would normally be more detailed on specific implementation milestones , dates , deadlines and responsibilities of teams and managers



# Strategic plan :

- A strategic plan is usually also an internal plan, but it focuses more on high level options and setting main priorities than on the detailed dates and specific responsibilities.
- It might be more bullet points and slides than text



- **Growth plan or expansion plan or new product plan:** These plans will sometimes focus on specific area of business or subset of business.
- **Feasibility Plan:** A feasibility plan is a very simple start up plan that includes a summary , mission statement, keys to success, basic market analysis, and preliminary analysis of costs, pricing , and probable expenses.
- This kind of plan is good for deciding whether or not to proceed with a plan, to tell if there is business worth pursuing.



# Significances of of Business plan

1. Analysis of ideas on a piece of paper
2. Help in convincing others
3. Reducing in emotional bias
4. Provide SWOT analysis
5. Justify ones Ideas/ plans
6. Develop consistent strategy
7. Achieve ones commitment
8. Feasibility study
9. Action plan
10. Selling tool
11. Fund raising
12. Evaluating progress

THANK YOU



**LEGAL FORMS OF ENTREPRENEURIAL  
ORGANIZATIONS  
MODULE FOUR**

**JAGADEESH BABU MK**



- **MODULE FOUR: LEGAL FORMS OF ENTREPRENEURIAL ORGANIZATIONS            6 HOURS**
- Identifying legal structures, Selection of an appropriate legal structure, Sole proprietorships, Partnerships, Companies, Companies under section 25, Franchising, Legal environment – patents, copyrights, trademarks.

# WHAT IS A BUSINESS ORGANISATION?



The term "**business organization**" refers to **how a business is structured.**

It refers to a commercial or industrial enterprise and the people who constitute it.



- business ownership refers to the holding of a business enterprise for **an economic gain** by the individual or two or more persons or by a corporate body.
- Today **new dimensions** have been added to the **traditional forms** of business ownership. This is because of the growth of business activity and **specialization in each area**.



- The **growth of business ownership** is closely associated with the **stages of economic development of a country.**
- The world of business is undergoing a **rapid change** particularly **after the industrial and commercial revolutions.**

# Choosing a Form of Business Organization



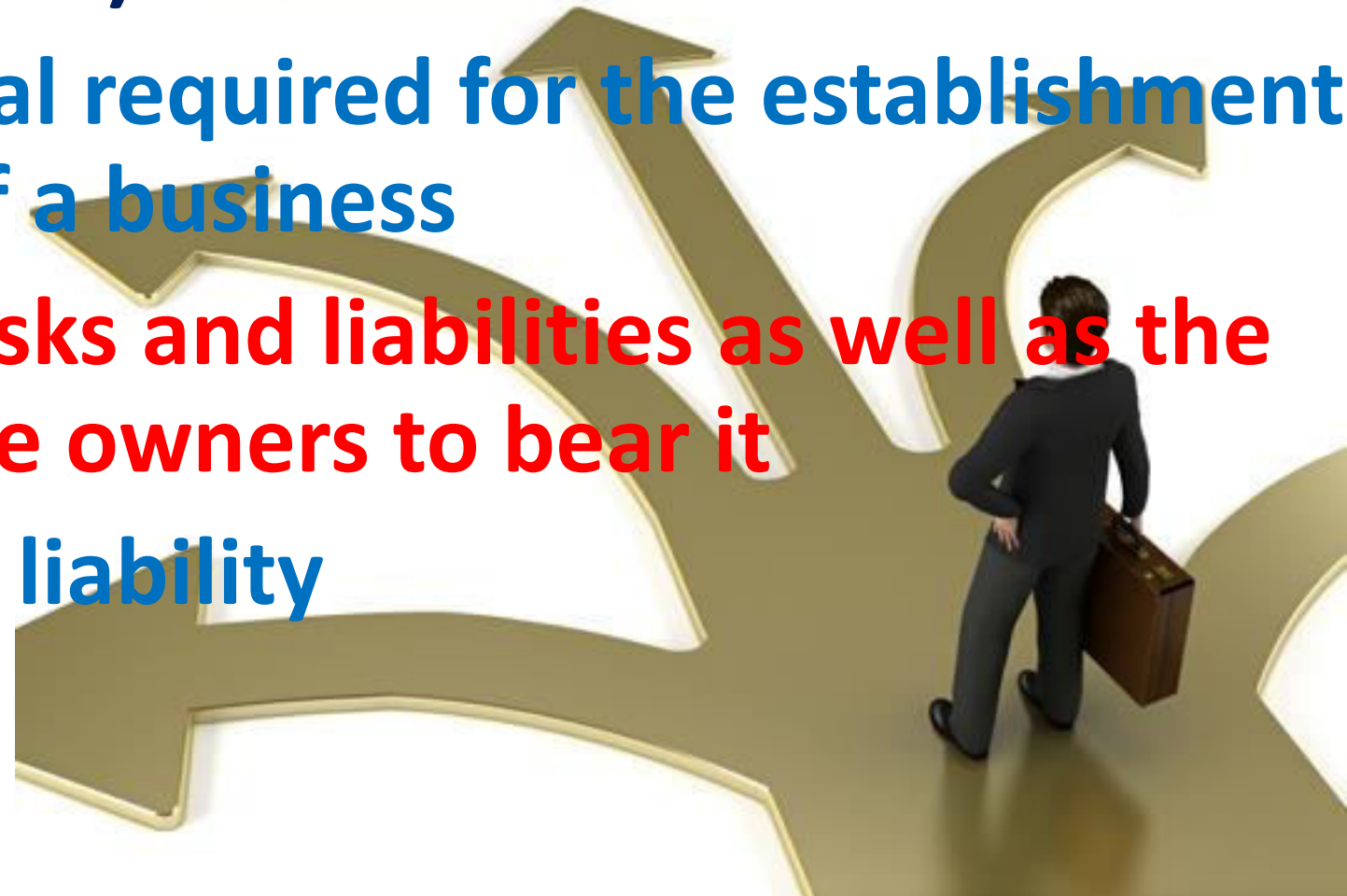
The choice of the form of business is governed by several interrelated and interdependent factors :-

- **The nature of business is the most important factor**
- **Scale of operations i.e. volume of business (large, medium, small) and size of the market area (local, national, international)**





- **The degree of control desired by the owner(s)**  
(market structures )
- Amount of capital required for the establishment and operation of a business
- **The volume of risks and liabilities as well as the willingness of the owners to bear it**
- Comparative tax liability



# Legal forms of entrepreneurial ORGANISATIONS



- **Sole Proprietorship**
- **Joint Hindu Family Business**
- **Partnership Firm**
- **Joint Stock Company**
  - 1.) **Private Limited**
  - 2.) **Public Limited**
- **Co-operative Society**



# SOLE PROPRIETERSHIP



When the ownership and management of a business are in control of one individual the form of business is called sole proprietorship.



# CHARACTERISTICS



- The business enterprise is owned by **one single individual** (i.e. both profit and risk belong to him)
- Owner is the **Manager**
- Owner is the only **source of Capital**
- The **proprietor** and **business enterprise** are **same in the eyes of the law.**



# ADVANTAGES OF SOLE PROPREITORSHIP

- Easy formation
- Better Control (Prompt decision making and Flexibility in Operations)
- Subject to fewer regulations
- Not subject to corporate income tax
- Ownership of all profits



# DISADVANTAGES OF SOLE PROPRIETORSHIP



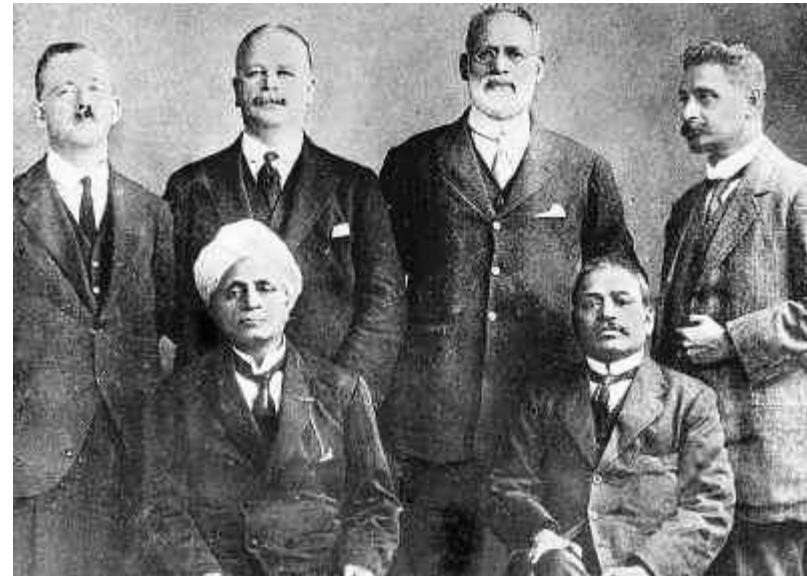
- **Owner has unlimited liability**
- **Difficult to raise capital**
- **Business has a limited life**
- **Difficult to do business beyond a certain size**



# JOINT HINDU FAMILY BUSINESS



- Comes into existence as per the Hindu Inheritance Act of India
- This form of business found only in India
- All members of the Hindu Undivided Family(HUF) own the business jointly
- The affairs of the business are managed by head of the family called “Karta”. All other members are called “Co-parceners”





- **Membership is restricted only to members of the Joint family. No outsider can become the member**
- **Karta has unlimited liability while all other members have limited liability**
- **The share of each member keeps on fluctuating**
- **Business continues to exist upon the death of any member or Karta.**





# ADVANTAGES OF HUFs

- Every co-parsener has an assured share in profits
- The business has continued existence
- Decision making is quick as the powers are with the Karta
- No corporate tax
- People use it mostly for tax benefits these days

Hindu

Undivided

[www.fingyan.com](http://www.fingyan.com)

Family

Tax Benefits

# DISADVANTAGES OF HUFs



- **Absolute power in the hands of Karta.**
- **Instability**
- **Limited Resources can be raised**
- **Scope for conflict**



# PARTNERSHIP FIRM



**A Partnership consists of two or more individuals in business together**

**The Indian Partnership  
Act-1932**

*Mercantile Law*





- **Partnership firm:** A business enterprise formed by two or more persons is called a partnership firm. There would be pooling together of capital , skill , organizing talent and managerial ability.





- The capital is contributed by all partners and share the business risks





- A business enterprise which is formed by the association of two or more persons who carry on a business jointly with **the intention of sharing profits and losses** is called partnership.



# ADVANTAGES OF PARTNERSHIP



- **Easy Formation**
- **Larger Resources**
- **Sharing Of Risk**
- **Better Management and Flexibility of Operation**
- **No corporate income tax**
- **Subject to fewer regulations as compared to companies**



# DISADVANTAGES OF PARTNERSHIPS



- **Unlimited Liability**
- **Limited Life**
- **Difficult to raise capital**
- **Chances of Dispute**





## Kinds Of Partners

There may be different kinds of partners in a partnership firm. The important classification of partners is given below:

- Active partners,
- Sleeping partner,
- Nominal partner,
- Partner in profits only,
- Senior partner,
- Junior partner,
- Secret partner,
- Minor partner.





# Types of partners and partnership firms

- **1. working or active partner:** A partner who not only invests his capital in the business but also participate actively in the management of the firms business is called active partner.
- He play an active role in managing the affairs of the business.



- **2. Dormant or sleeping partner:** He only provides funds to the firms but does not take sufficient interest in running the business of the firms .
- However he enjoys all the rights and powers that the other partners have.



- **3.Nominal partner:** He is a partner only in name neither the contributes capital nor he takes any active role in the management of the business of the firms.
- He is not allowed to share the profits of the firms as he simply lends his name and fame in the interest of the firms. However he remains liable for the debts and liabilities of the firms.



- **4. Partner in profits only:** A person who becomes a partner in a firm on condition that he will share only profits is called a partner in profits only however the liability of such a partner is also unlimited.

# Partnership deed and its contents



- The instrument which contains **an agreement between the partners** is called partnership deed.
- The deed must be duly **stamped and signed by all the partners**
- The deed should be drafted properly **incorporation all the necessary terms and conditions of partnership** .



# Contents of a partnership deed



1. Name of the firm
2. Name , addresses , occupation etc. of the partners
3. Amount of capital to be contributed by the partners and the manner of contribution
4. The ratio of sharing the profits and losses of the firm
5. Nature of the business to be carried on
6. The duration of partnership if agreed
7. The amount of drawings that can be made by partners from time to time and the manner of withdrawal





8. The rate of interest on capital payable to partners and the rate of interest on the drawings receivable from partners
9. Salary, commission or bonus, payable to partners.



# Partnership Firm Registration in India



**SETINDIABIZ**  
*Business begins here*





# Dissolution

- The **end of contractual relationship between all the partners** is called dissolution of firm.
- But **if one or more partners terminate their relationships** with the firm **and the rest of them continue the business** under the same firm's name it is not called dissolution of firm.

## Dissolution of Partnership Firm



# Circumstances leading to dissolution



## The dissolution of partnership

1. Death of any partner or partners
2. Insolvency of any partner or partners
3. Retirement of any partner or partners
4. expiry of the agreed period or duration
5. completion or fulfillment of particular venture or task.



# The dissolution of a firm



- **1. Automatic dissolution:**

- a. Where there is no agreement among the partners to continue the firm and the partners agree to dissolve the firm.
- b. When the accepted venture is completed the firm will be dissolved.
- c. If one or more partners retire from the business the firm may be dissolved.
- d. If one or more partners become insolvent the firm dissolves.





## 2. Compulsory dissolution:

- a. When all partners except one die , there will be compulsory dissolution
- b. When all the partners except one becomes insolvent
- c. Retirement of all partners or all partners except one prompt dissolutions
- d. The business of the firm becomes illegal on the happening of any event.





### 3. Dissolution by consent:

In case of partnership at will any partner can seek for dissolution of the firm by giving a prior notice of 14 days to all the partners of the firms.





## 4. Dissolution under on order of the court:

- a. If a partner has become insane
- b. If a partner has become permanently incapable of performing his duties as a partner
- c. If a partner is found guilty of serious misconduct affecting adversely the activities of the firm.





- d. If a partner has transferred his share in the firm to any other person without the consent of the other partners.
- e. If the business of the firm has been experiencing losses for a long time
- f. If there are any justifiable and equitable grounds that the court deems it fit to dissolve the firm.

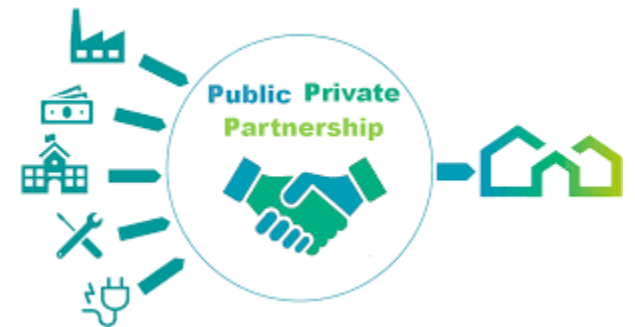




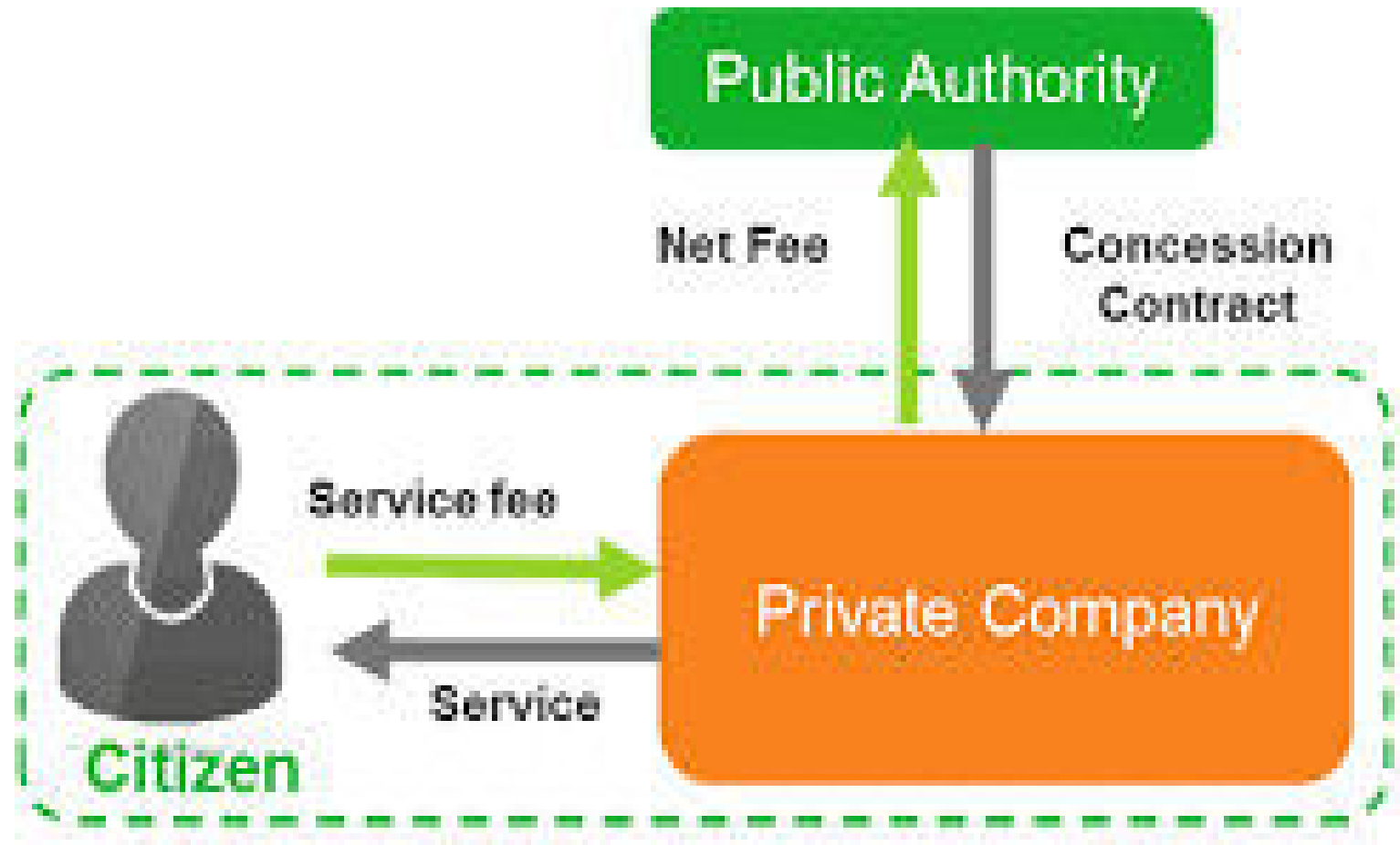


# Public-Private -Partnership (PPP)

- Which explain the partnership between the government and private people to develop infrastructure .
- Many projects are completed under the PPP and many are going on in India.
- It takes place in the form of
  - i. BOT –build , operate and transfer.
  - ii. BOOT- build, own, operate , and transfer
  - iii. BOLT- build, own , lease, transfer.



# Public private partnership model





## **Advantages of Public-Private Partnership**

Early Completion Bonus

Cut Downs Tax

Project Completion Efficiency

Project Feasibility

Superior Quality Standards

Excellent Infrastructure Solutions

Better Return on Investment

Transfer of Risk

Reduces Budget Deficits

Ensures Efficient Government Investment

# Advantages of PPP



1. Availing more efficient and higher quality services
2. Enjoying innovative structures
3. Solving the problem of limited disposable sources of the public sector
4. More benefits and satisfaction to the general public
5. Enable a faster development of the infra structure
6. Strengthening the public administration by shortening the process of decision making and reducing the rate of bureaucracy
7. Transferring the risk to private people without giving any type of security



# Disadvantages of PPP

- Only economic aspect is considered and social , environment and other aspects are ignored.
- More time consumption in preparation of individual projects
- Ensuring transparent relationship in selecting partner or in deciding terms and condition or in concluding contracts





# Co- operative institutions

- The important objectives of the development of the co-operative sector are propagation of the ideal of mutual co-operation , prevention of economic power of few hands, Activation of voluntary association to fight against exploitation of weaker sections by wealthier sections of society, etc..
- In all vital areas like agriculture , rural and small scale industry , retail distribution , financing , housing etc . The co-operative societies are functioning very well.

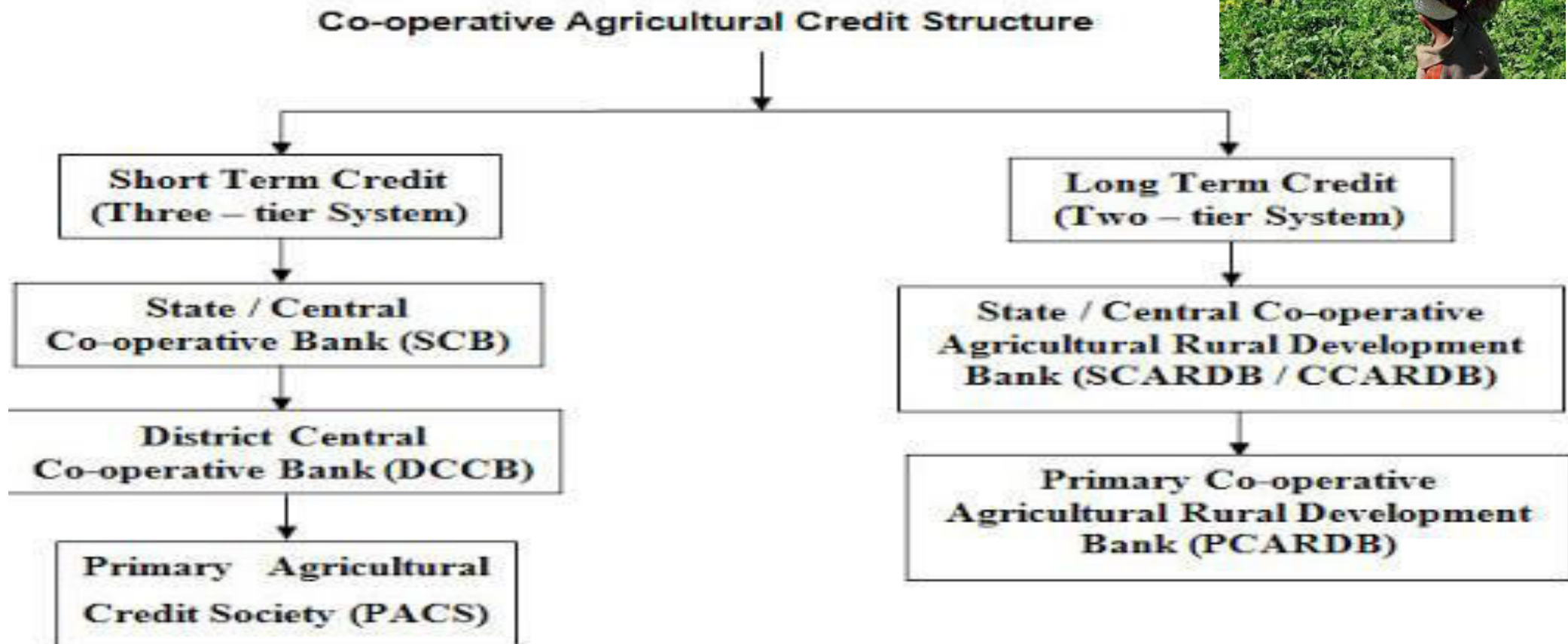




- Acc Sir Horace Plunkett viewed co-operation as self help made effective by organization.
- The term co-operation generally gives the meaning of living together or working together accomplishing together.
- If any organization is voluntarily or people associate together for the common benefits of all as human beings but not capitalists. It is called co-operative organization.



# Co operative sector banks in India





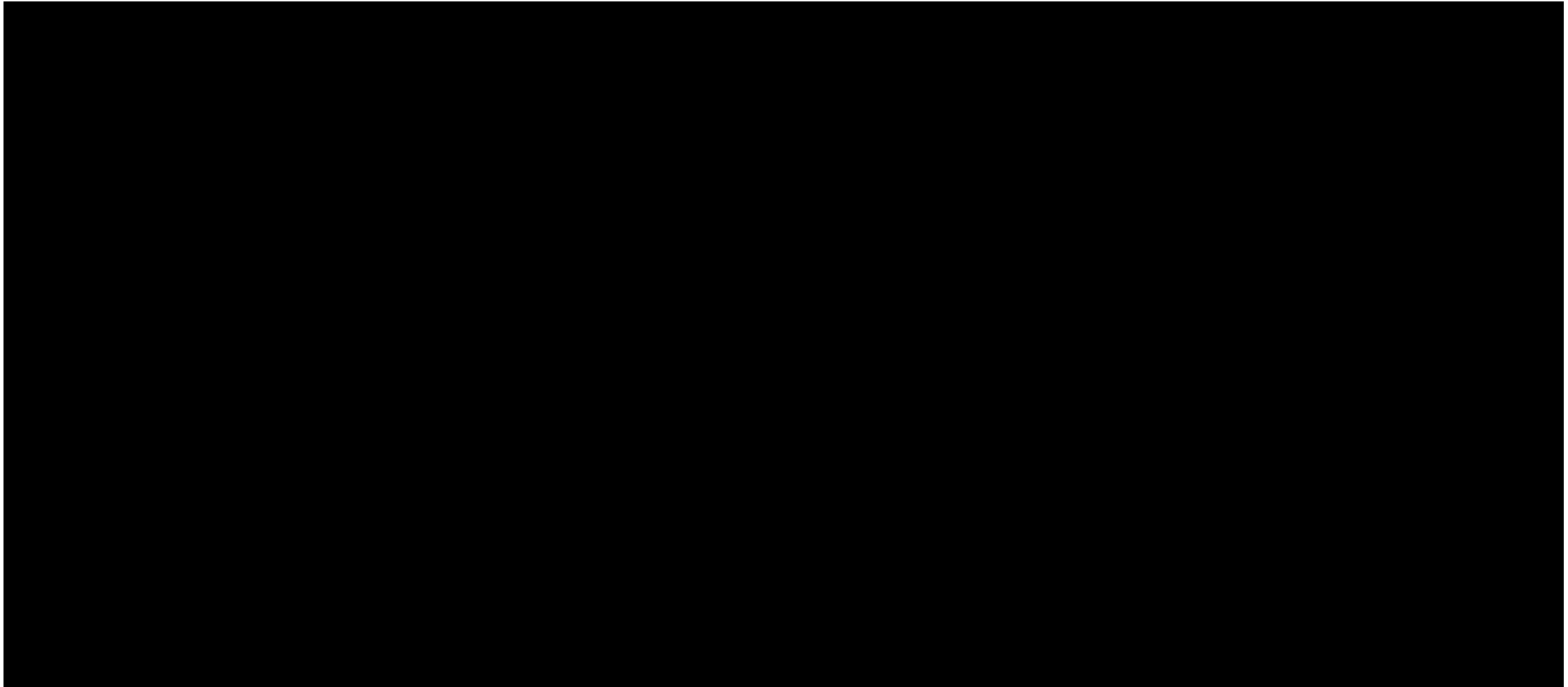
## *Cooperative Sector Institutions*

- National Cooperative Development Corporation (NCDC)
- National Agricultural Cooperative Marketing Federation (NAFED)
- National Cooperative Tobacco Growers Federation (NTGF)
- National Consumers Cooperative Federation (NCCF)
- Tribal Cooperative Marketing Federation (TCMF)
- State Cooperative Marketing Federations (SCMF)
- Primary Agricultural Cooperative Marketing Societies (PACS)





# Co operative Society



# CO-OPERATIVE SOCIETY



**It is a voluntary association of people or business to achieve a an economic goal with a social perspective**



# ADVANTAGES OF CO-OPERATIVE



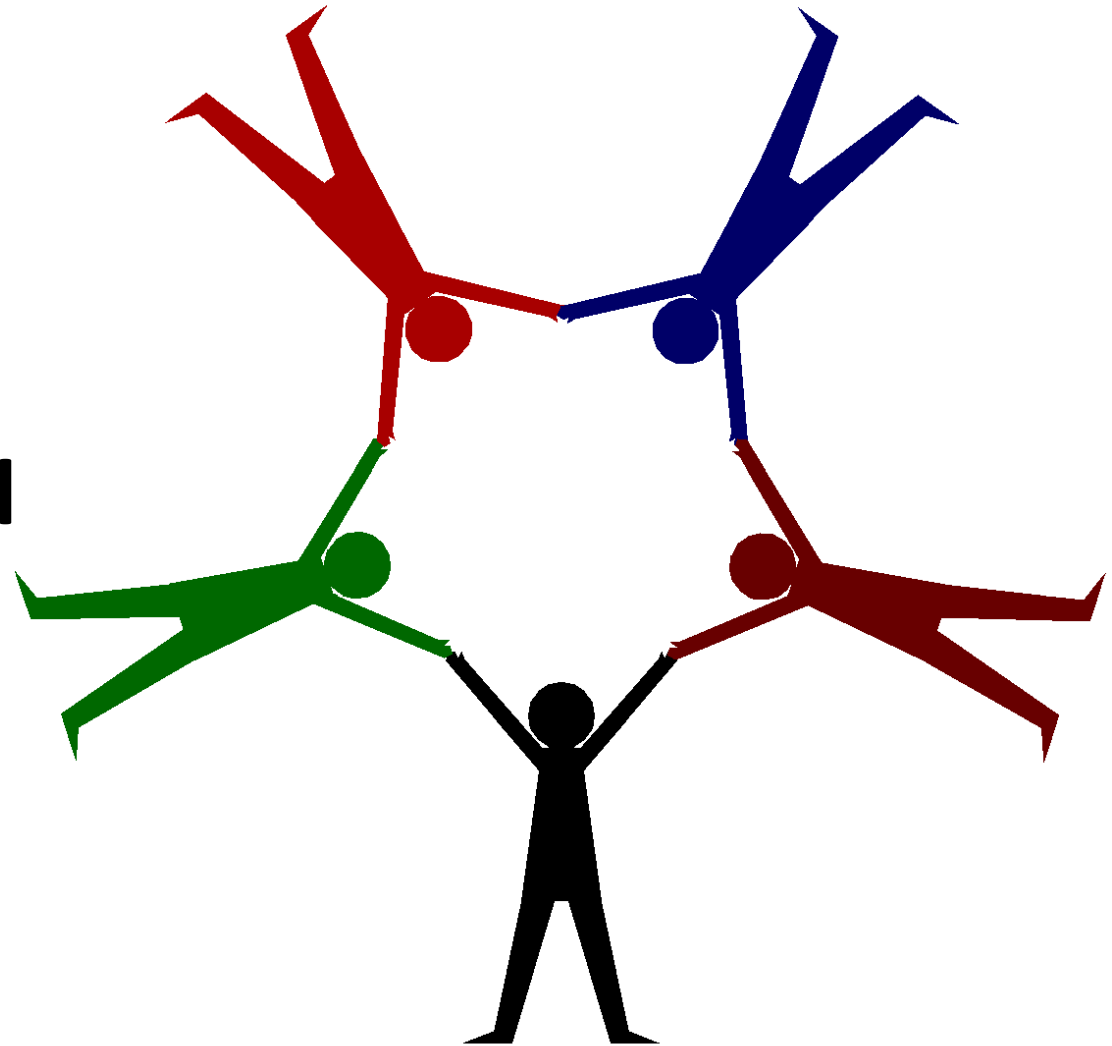
- **Easy Formation**
- **Limited Liability**
- **Stability**
- **Democratic Management**
- **State Assistance**



# DISADVANTAGES OF A CO-OPERATIVE



- **Possibility of conflict**
- **Long decision making process**
- **Not enough capital**

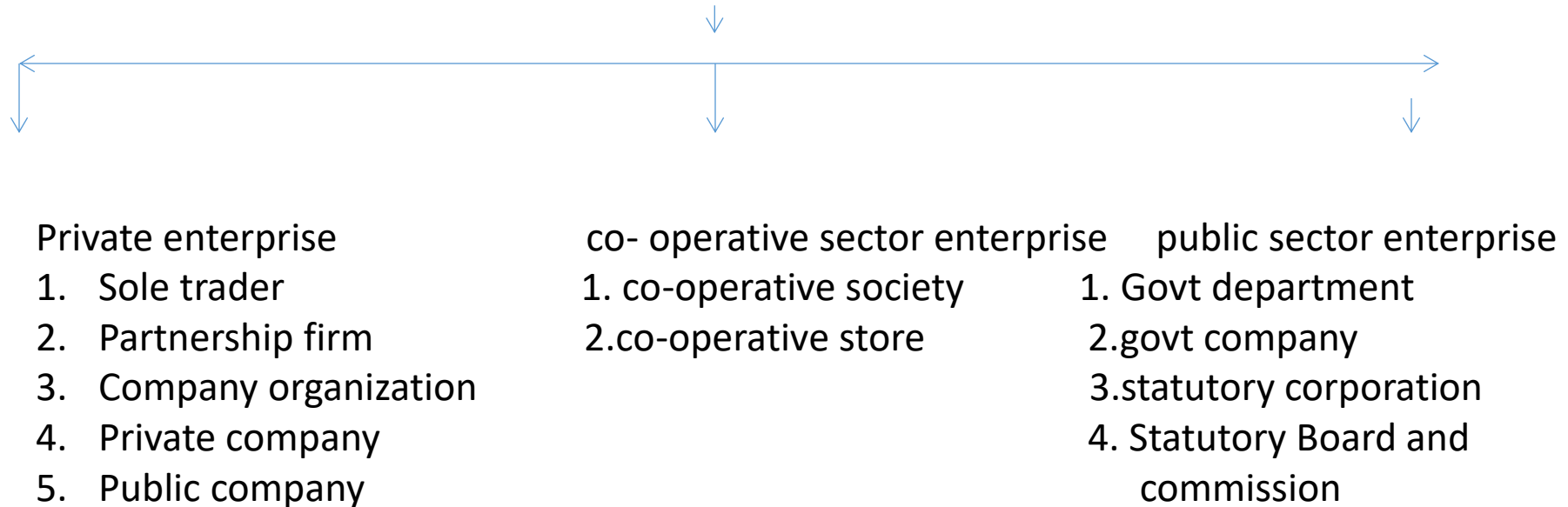


# Different forms of business ownership



- Modern business is carried on by the following forms of business organization:

## Forms of business organization



# Joint stock company



- **Company organization:** The Indian companies Act, 1956 defines joint stock company as a company limited by shares having a permanent paid up or nominal share capital of fixed amount divided into share also of fixed amount, held transferable as stock and formed on the principle of having in its members only the holders of those shares or stocks and no other persons.
- Companies can be classified as **private company and public company.**



# Public sector enterprise:

- The basic and key industries such as iron and steel, heavy engineering , heavy chemicals, heavy electrical , aircraft, etc., are specially reserved for the public sector in India.
- All state enterprises whether newly started or nationalized industries are managed through government department or through a statutory public corporation or board created by a special act of the legislature.



- The company restricts the transfer of shares and prohibits invitation to the public for the subscription of shares and debentures. It uses the term 'private limited' at the end of its name.



# Joint Stock Company

## ▶ **Definition**

- ▶ A Joint Stock Company is a **voluntary association** of **individuals** for **profit**, having its capital divided into transferable shares, the ownership of which is the condition of membership.
- ▶ A company is an incorporated association of persons formed usually for the pursuit of some commercial purpose.
- ▶ **Section 3(1) of Indian Companies Act, 1956**-Company means a company formed and registered under this Act or an existing company
  - Existing company means a company formed and registered under any of the previous company laws





## Key Features of JSC

- ▶ A voluntary association of persons who generally contribute capital to carry on a particular type of business.
- ▶ Persons who contribute capital become members of the company.
- ▶ Company has a legal existence separate from its members, which means even if its members die, the company remains in existence.
- ▶ This type of company needs huge capital investment.
- ▶ The total capital of a JSC is called **share capital** and it is divided into a number of units called **shares**.
- ▶ Members are also called shareholders.





# Comparision between Private and Public Limited Company

<b>Private Limited Company</b>	<b>Public Limited Company</b>
<b>1. Membership:</b> Minimum membership 2, Maximum membership 50	Minimum membership 7, Maximum membership unlimited
<b>2. Formation</b> Comparatively simple, certificate of incorporation is adequate	Comparatively difficult as the procedure is lengthy.
<b>3. Number of Directors:</b> It must have at least two directors	It must have at least three directors
<b>4. Transfer of Shares:</b> The shares are not freely transferable	Shares are freely transferable.





# Comparision between Private and Public Limited Company (Contd.)

<b>5. Issue of Prospectus:</b> It is allowed to issue prospectus	It can issue prospectus
<b>6. Commencement of Business:</b> It can start the business after the receipt of certificate of incorporation.	It requires trading certificate for starting business
<b>7. Suitability:</b> Suitable for business on a small scale	Suitable for large – scale business.
<b>8. Invitation:</b> It cannot invite public to subscribe for securities of the company	It invites public to purchase securities of the company.



# Comparision between Private and Public Limited Company (Contd.)



<b>9. Allotment:</b> It can allot shares immediately after incorporation	Shares cannot be allotted unless minimum subscription is collected.
<b>10. Qualification shares:</b> The directors need not hold qualification shares	The directors have to purchase some qualification shares to become the director.
<b>11. Directorship:</b> There is no restriction on the number of directorship	A director cannot be a director of more than 20 companies
<b>12. Quorum:</b> Two members present in the meeting is a quorum at general meeting	Five members present in the meetings is a quorum at general meeting.





## JSC Specific to the Indian Context

- A) There are three type of companies -Private Limited, Public Limited and Government companies on the basis of ownership
- B) Two types of companies - Indian and Foreign on the basis of nationality.

### 1) Private Limited Company

- i) can be formed by at least two individuals having minimum paid-up capital of not less than Rupees one lakh.
- ii) total membership of these companies cannot exceed 50.





## JSC Specific to the Indian Context (Contd.)

- iii) shares allotted to its members are also not freely transferable between them.
- iv) not allowed to raise money from the public through open invitation.
- v) are required to use “Private Limited” after their names.  
examples : Combined Marketing Services Private Limited,  
Indian Publishers and Distributors Private Limited Limited,  
etc.

### 2) Public Limited Company

- i) Min of 7 members are required, no restriction on max no of members
- ii) must have minimum paid-up capital of Rs. 5 lakhs.
- iii) shares allotted to the members are freely transferable.





## JSC Specific to the Indian Context (Contd.)

- iv) can raise funds from general public through open invitations by selling its shares or accepting fixed deposits.
- v) required to write either 'public limited' or 'limited' after their names.

Examples :Hyundai Motors India Limited, Steel Authority of India Limited, Jhandu Pharmaceuticals Limited etc.

### 3) Government Company

- i) the Govt (either state or central Gvt or both) holds a majority share capital i.e., not less than 51%.
- ii) companies having less than 51% share holding by the govt can also be called Govt companies provided control and management lies with the Govt.





## JSC Specific to the Indian Context (Contd.)

examples : Mahanagar Telephone Nigam Limited, Bharat Heavy Electricals Limited, etc.

### 4) Indian Company

- i) A company having business operations in India and registered under the Indian Companies Act, 1956
- ii) company may be formed as a public limited, private limited or government company.

### 5) Foreign Company

- i) a company formed and registered outside India having business operations in India.





## Share

- ▶ Indian Companies Act 1956 defines share as *“a share in the share capital of a company and includes stock except when a distinction between stock and shares is expressed and implied”*.
- ▶ Owned capital of a company divided into a large number of equal parts or units. Each such part having the same face value is called share.



# JOINT STOCK COMPANY



- <http://youtube.com/watch?v=3vzIDZDycK8>



## • Intellectual Property

- (IP) is any **creations of human mind**. Like tangible property, their creation has a value and, as with all property, it needs to be protected.





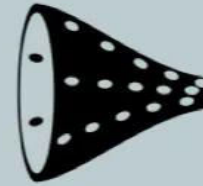
## CREATIVITY

The act of turning new and imaginative ideas into reality.



## INVENTION

Creation of a new idea or concept



## INNOVATION

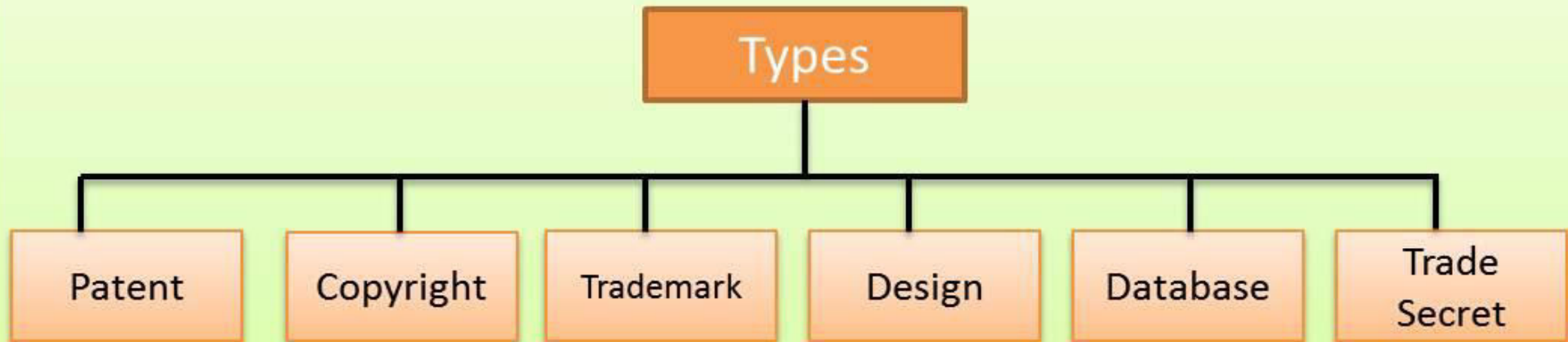
Turning a new concept into commercial success or widespread use

Source: <https://innoway.me> | @innoway\_me



## Intellectual Property Rights

Intellectual property is the creations of the minds of an individual which has a commercial and moral value. Intellectual property rights (IPR) grants exclusive rights to an author for utilizing and benefiting from their creation.





- **Intellectual Property Rights**

- (IPR) gives them this protection, as well as helping them exploit and control their IP.
- “The exclusive right granted by State, to prevent others from using, manufacturing, distributing - inventions, processes, applications, new and original designs, trademarks, new plant varieties, data bases and artistic and literary works”.
- Such a person is known as ‘rights owner’ or ‘rights holder’.



- **Industrial Designs:** Design deals with features, shapes, patterns, etc., applied to an article by an industrial process, manual or mechanical.





- Eg: chair is a utility item. However, chair itself does not qualify for IPR, but its special carvings, embossing etc., is done which increases the value of chair though it's utility remains same, it becomes eligible for IPR under Designs Act.
- Designs can be registered based on its originality, henceforth they can use ® or registered, with registration number



- **Patents:** Is a monopoly right granted to a person, who invented a new product or process of making an article, for 20 years under the Indian Patents Act, 1970, and can be renewed after expiration of period.
- The inventor has to file for patent first, and then make his/ her invention to public.





- A patent has to be applied in each country by the inventor, to claim his rights in that country.

**Eg:** A group of scientists working on new drug development in Himalaya Drugs for some salary. The patent of the drug developed is given to Himalaya Drugs, but not to the scientists. The drug may have many patents like composition, process, and product etc.

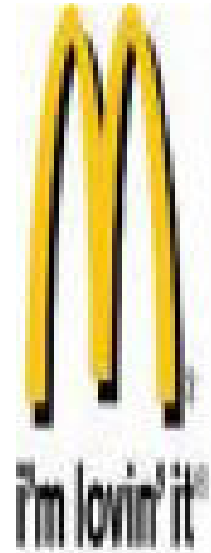


# Trade mark



- A **trademark** (also written **trade mark** or **trade-mark** is a type of intellectual property consisting of a **recognizable sign, design, or expression**
- which identifies **products or services of a particular source** from those of others, although trademarks used to identify services are usually called **service marks**.





**Trademarks:** Trademark can be a word, name, brand, symbol, label etc., used by a company to create a unique identity for their product. Trademark can be registered, and then use <sup>TM</sup> ®. The registration validity is for 7 years and renewable after expiry. In India, it is governed by the Trade and Merchandise Marks Act, 1958, which came into force on 25<sup>th</sup> Nov., 1959.





# Trade Secrets:

- Trade secret is any intellectual work or product used for a business purpose that can be classified as belonging to that business provided it is not based on information in public domain.







- **Geographical Indication:** This is an indication, that originates from a definite geographical area, which is used to identify natural or manufactured product.





- **Eg:**
- Gadwal/ Pochampally Sarees, Nirmal paintings, Kolhapuri Chappals, Solapur Chaddar etc., qualify for registration under this category.
- It is valid for 10 years. The application for registration can be an association of persons, organization or by producers



- **Copyright:** It is a negative right which prevents the appropriation of the fruits of man's work, labor or skill by another person.
- Copyright is an exclusive legal right to reproduce an original work of authorship fixed in any tangible medium of expression, to prepare derivative works based on original work, and to perform or display the work in the case of dramatic, music, choreographic and sculptural works.





- Copyright prevents copying of only the expression.
- Eg: Bhagwat Geeta, Pathanjali Yoga sutras, Narada Neeti, etc





## COPYRIGHT

Protection is automatically granted to the author for their original, creative or intellectual work.



**Works:** Books, lectures, dramatic and musical works, cinematography, drawings, paintings, architecture, sculpture, photographs, illustrations, maps, plans sketches etc.



**Rights:** To distribute copies or phonorecords of the work to the public by sale or other transfer of ownership, or by rental, lease, or lending; To perform the work publicly in person or through audio transmission.



**Validity:** Registration not mandatory but recommended. Valid through the lifetime of the author and 60 years after his/her death. Owner has protection in most countries.



## TRADEMARK

This is a brand element which distinguishes your goods and services from those of your competitors and other traders.



**Marks:** Word mark, a logo mark or a slogan, shapes, and unconventional marks like colours, sounds, gestures, animation, holograms etc are also registrable as a trademark.



**Rights:** Exclusive right to use the mark and prevent anyone from using it without permission. It also gives the owner the right to license, assign and sell the mark in return of some compensation.

### LOGO



**Validity:** 10 years which can be made perpetual, as long as renewed every 10 years. Should be applied separately in every country in which protection is required and has a market in.



## PATENT

This concerns obtaining protection for new inventions that are new, original and useful.



**Invention will be patented if:** Novel or Original, has an Inventive step (non-obvious) and has some Industrial application.



**Rights:** Exclusive authority over the patented invention, right to exclude others and exploit the patent and earn from it.



**Validity:** Patent protection is territorial right and therefore it is effective only within the territory of India. Separate patents required to be filed for each country where protection is required. Patent is valid for period of 20 years after which it goes in public domain.



- The granting of permission to use intellectual property rights, such as trademarks, patents, or technology, under defined conditions.

# LICENSING



- A License allows the licensee to use, make and sell an idea, design, name or logo for a fee.
- They are advantageous for licensors because they allow them to expand their business without having to invest in new locations or distribution networks.





- Licensing is another way to enter a foreign market with a limited degree of risk.
- Under international licensing, a firm in one country permits a firm in other country to use its intellectual property (Patents, trademarks, etc..)





- A licensing agreement is a legal contract between two parties, known as the licensor and the licensee.
- In a typical licensing agreement, the licensor grants the licensee the right to produce and sell goods, apply a brand name or trademark, or use patented technology owned by the licensor.



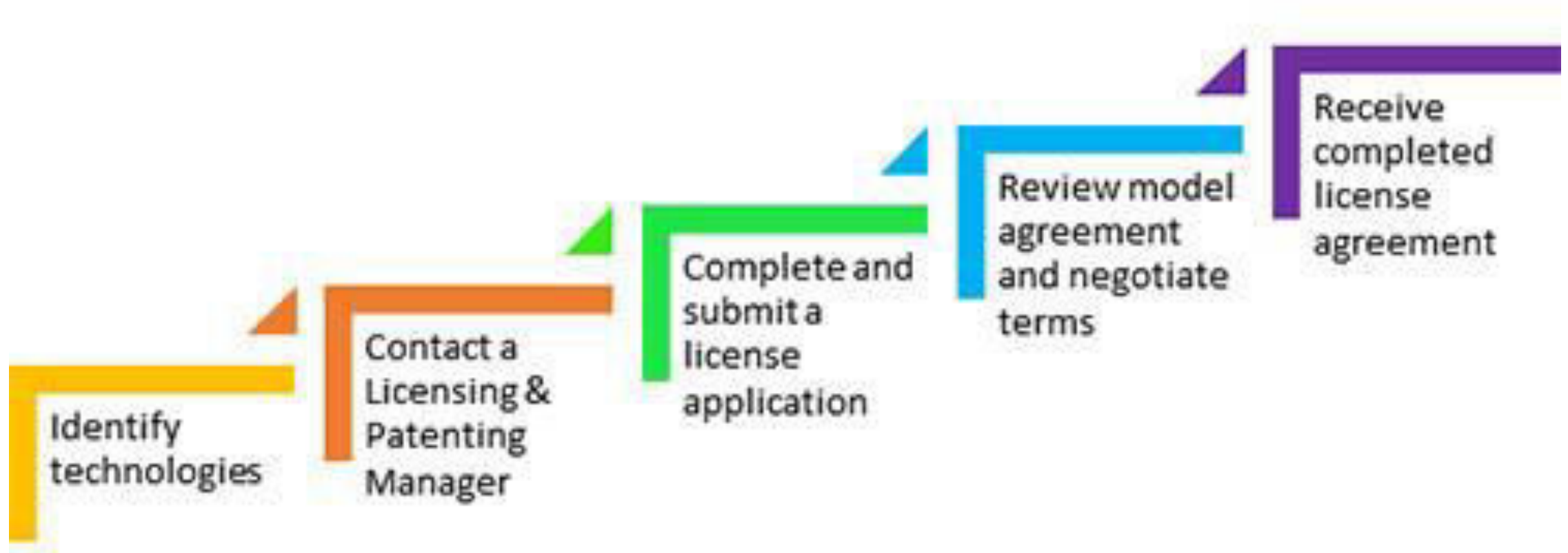


## LICENSOR V.S LICENSEE

- The licensor owns the rights being licensed and grants the limited right to use them to the licensee.
- Disney is the licensor and Hasbro is the licensee.
- The NFL is the licensor and Nike is the licensee.
- The licensee generally pays royalties to the licensor.



# Licensing Process





# Franchising

- is continuing relationship in which the franchisor provides a licensed privilege to do business, plus assistance in organizing, training, merchandising and management, in return for a consideration from the franchisee.

# FRANCHISING AGREEMENT



- The franchise agreement is essentially a legal document between the franchisor and the franchisee. It is a legal binding agreement. It explains in detail what the franchisor expects from you, as a franchisee, in the way you operate every fact of the business.
- There is no standard form of franchise agreement because the terms, conditions, and the methods of operations of various franchises vary widely depending on the type of business.

	Franchisor	Franchisee
Site Selection	Oversees, may choose	Chooses with approval
Design	Provides Prototype Design	Implements design
Menu	Set by Franchisor	Changed only by approval
prices	Recommendations	Decides actual prices



- **Franchisor**

is the entity or person owning the rights of the business, that grant to other people to manufacture or distribute his products.

- **Franchisee**

Is the party in franchising agreement that is purchasing the rights to use business trademarks, operating system, tools, skills & other proprietary knowledge in order to open branch.

THANK YOU



# **SOCIAL ENTREPRENEURSHIP**

## **MODULE 5**

**JAGADEESH BABU MK**



## **MODULE FIVE: SOCIAL ENTREPRENEURSHIP**

**8 HOURS**

Introduction, Meaning, Perspective of social entrepreneurship, Social entrepreneurship in practice, Boundaries of Social entrepreneurship, Few experiments.





# Social entrepreneurship

- Social entrepreneurship is a process by which citizens build (or) transform institutions to advance solutions to social problems, such as poverty, illness, illiteracy, environmental destruction, human rights abuses and corruption, in order to make life better for many.
- Academics, practitioners, and philanthropists characterize it variously as a profession, field, and movement.





# Entrepreneurship Spectrum





<b>S.NO</b>	<b>NON PROFIT SOCIAL ENTREPRENEUR</b>	<b>FOR - PROFIT ENTREPRENEURS</b>
1.	Non profit with earned income strategies	For profit with mission driven strategies
2	MISSION GROWTH	PROFIT GROWTH
3	SELF SUFFICIENCY	SUSTAINABILITY
4	Ex: SICK KIDS FOUNDATION THE SALVATION ARMY CANADIAN CANCER SOCIETY HEART AND STROKE FOUNDATION GRAMEEN BANK REVOLUTION FOODS HOUSING WORKS	EX: MICRO SOFT APPLE MARY KAY COSMETIC BEN AND JERRY





# Elements of Social Enterprise

- ▲ Three core elements:
  - ▲ Created to provide benefits for a community
  - ▲ Creates opportunities so people can help themselves as well as others
  - ▲ Utilises sound commercial business practices to ensure its sustainability i.e. the business will naturally uphold and encourage environmental sustainability as well as ethical considerations





## Shining examples

Leading social entrepreneurs

	Organisation	Nationality	Background
Jeroo Billimoria	ChildLine India Foundation	India	Children's rights
Somsook Boonyabancha	Community Development Institution	Thailand	Land rights
Peter Eigen	Transparency International	Germany	Anti-corruption
Oded Grajew	Instituto Ethos	Brazil	Citizen sector
David Green	Project Impact	United States	Public health
Alice Tepper Marlin	Social Accountability International	United States	Labour
Pearl Nwashili	StopAIDS Organisation	Nigeria	Public health
Fabio Rosa	IDEAAS	Brazil	Renewable energy
Orri Vigfusson	North Atlantic Salmon Fund	Iceland	Environment
Muhammad Yunus	Grameen Bank	Bangladesh	Microfinance

Source: Ashoka

# Importance of social Entrepreneurship



1. Employment development
2. Innovation / New goods and services
3. social capital
4. Equity promotion





1. Employment development: It is shared with entrepreneurs and business alike job and employment creation.





2. Innovation / New goods and services: social enterprises develop and apply innovation important to social and economic development and develop new goods and services .

Issue addressed include some of the biggest societal problems such as HIV, mental ill health , illiteracy, crime and drug abuse which importantly, is confronted in innovative ways.

- Now current issue pandemic disease  
COVID 19





**3.Social capital:** Economical capital is one of the most important values created by social entrepreneurship is social capital .

Ex: The success of the German and Japanese economies, which have their roots in long term relationships and the ethics of cooperation , in both essential innovation and industrial development .

The world bank also sees social capital as critical for poverty alleviation and sustainable human and economic development .





- 4. Equity promotion: SE fosters a more equitable society by addressing social issues and trying to achieve ongoing sustainable impact through their social mission rather than purely profit maximization.





## Social entrepreneurship case studies: Grameen Bank, Teach for Malaysia and The Hotshot Series

### Internationally...



#### Social Problem

- Poor rural people in Bangladesh had no **access to credit** as they have no credit history or collateral

#### Solution

- Lend to women
- Group based credit approach
- Owned by customers

#### Sustainability / Impact

- By 2007, USD 11 billion loans were disbursed
- Awarded the 2006 Nobel Peace Prize

### Nationally...



- In Malaysia, a child's origins determines the **quality of education**, and therefore life outcomes

- Recruit high achievers to teach for 2 years
- Build awareness of social problem and influence public policy

- In 2 years, more than 100 high achievers recruited to teach in classroom
- Fully funded by donations and sponsorships

### At YLA...

THE  
**HOTSHOT**  
SERIES

- Malaysian students do not have an easy **source of information** for various career options

- Write and market a book on career-education (law), targeted towards secondary and pre-university students

- 120+ page book completed, published and distributed to 10 secondary schools
- Fully funded by sponsorships



## Social entrepreneurship case studies: Grameen Bank, Teach for Malaysia and The Hotshot Series

### Internationally...



### Nationally...

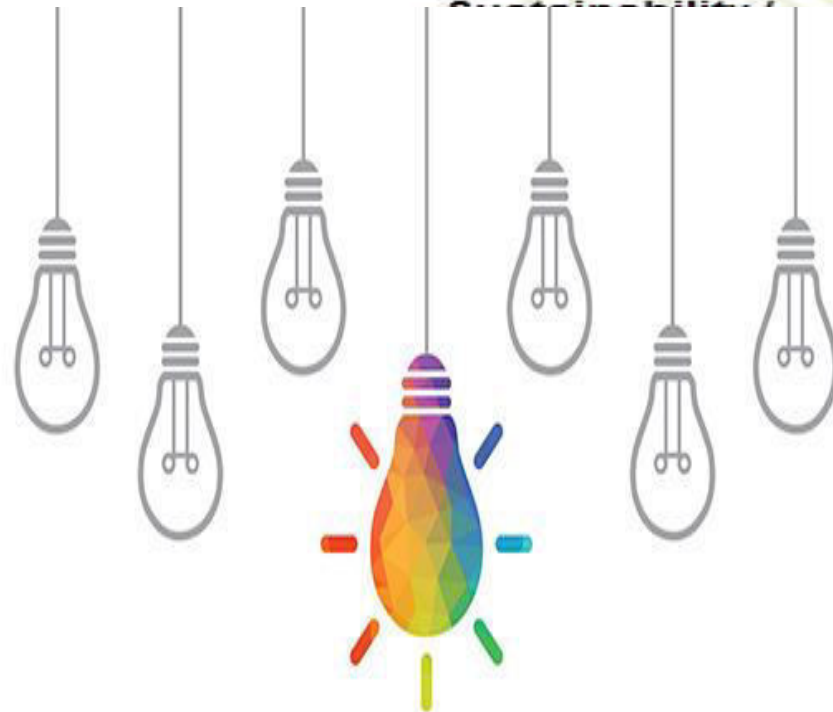


### At YLA...

THE  
**HOTSHOT**  
SERIES

### Social Problem

- Poor rural people in Bangladesh had no **access to credit** as they have no credit history or collateral
- In Malaysia, a child's origins determines the **quality of education**, and therefore life outcomes
- Malaysian students do not have an easy **source of information** for various career options



# Characteristics of Social Entrepreneur..



- **Social entrepreneurship is motivated by social benefit**
- **Social entrepreneurs usually work with, not against markets.**
- This should be first in the list, Social Entrepreneurs DO NOT loose their FOCUS anytime
- Social Entrepreneurs ALWAYS believe that every one can Perform and have the capacity to do so.
- Social Entrepreneurs ALWAYS display DETERMINATION
- Social Entrepreneurs can ALWAYS measure and monitor their results.

# Cont..



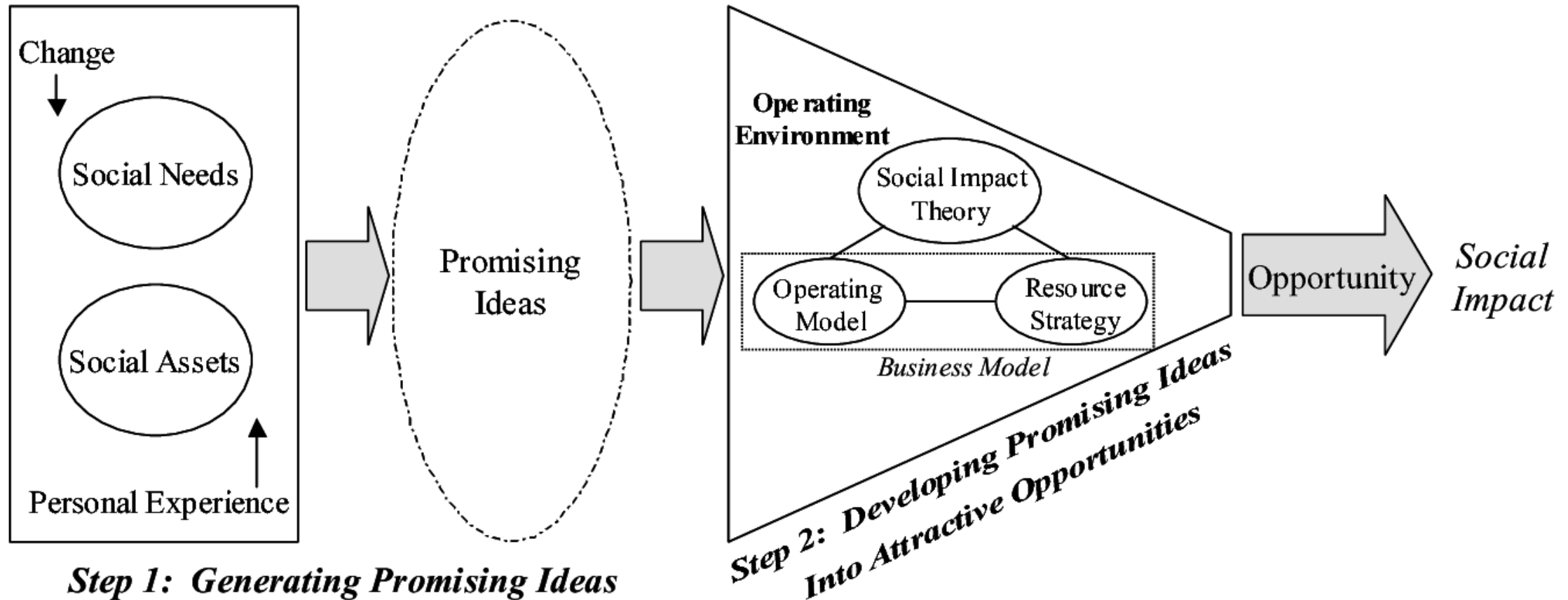
- Social Entrepreneurs have the patience, energy and enthusiasm to teach others.
- Social Entrepreneurs combine Innovation, Resources and Opportunity to derive solutions to Social problems.
- The usual ideologies and principals do not holdback social Entrepreneurs. They are always looking at breaking them.
- Social Entrepreneurs are impatient. They do not go well with the bureaucracy around them.

# THE PROCESS OF SOCIAL ENTREPRENEURSHIP



- **1. Find an opportunity**
- **2. Develop a business concept**
- **3. Figure out what success means and how to measure it**
- **4. Acquire the right resources**
- **5. Launch and grow**
- **6. Attain goals**

# THE PROCESS OF SOCIAL ENTREPRENEURSHIP



# WHY DOES IT MATTER?



- **Citizens with high entrepreneurial orientation + in abilities and education + Large business opportunities**

**= Citizens of the country willing to meet their own social needs, without an excessive reliance on the government**

# FIRST SOCIAL ENTERPRISES



- • **Co-operative movement in the 1840's**
- • **Thrift store**
- • **Driving school**



- **EXAMPLE OF A SOCIAL ENTERPRISE**

**Behind every social enterprise is a person has seen a wrong in the world and they have decided to change it.**



## **PRESENT EXAMPLE**

**More than 780 million people are dying every year from consuming unhealthy drinking water**





## SOLUTION? Life straw

- **A straw that uses advanced hollow fiber technology, which is highly efficient method that requires no chemicals**
- **For every Life Straw product you buy, one school child in a developing country will be provided with safe drinking water for an entire school year.**



# LOOKING AT THE THREE STEPS

## Life straw

- • **Opportunity:** Large amount of people do not have access to clean drinking water
- • **Endeavor:** create a product that filters water and is easy to ship/produce
- • **Social benefit:** Less people will die as a result of access to clean drinking water



# HOW TO FIND SOCIAL ENTREPRENEURSHIP OPPORTUNITIES

## Three steps:

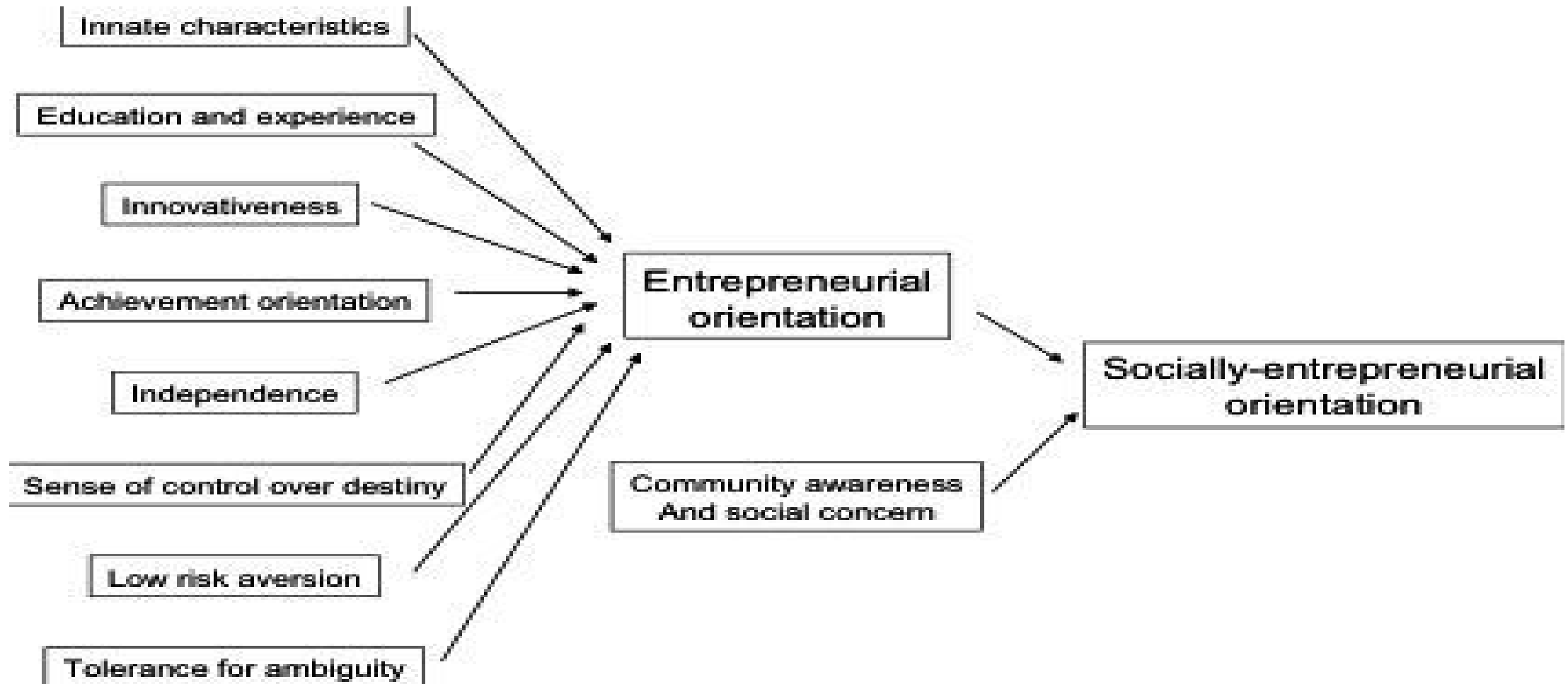
- **1. Opportunity:** Find something/someone you can use or help
- **2. Endeavor/enterprise:** How you plan on capitalizing on the opportunity
- **3. Social returns:** How will it benefit the community?



- **A shoe company that offers to give a pair to a child in need for each pair purchased.**
- **To date they have given more than 35 million pairs of new shoes to people in need They have made a lot of money and started improving:**
  - **Sight**
  - **Access to water**
  - **Safe birth**



# WHAT MAKES UP A SOCIAL ENTREPRENEUR?





## • JANE CHEN

- • Was studying at Princeton
- • Saw a need for pre mature babies to keep warm and saw a problem in developing countries with unreliable electricity or poor heat lamps to keep the baby healthy
- • Developed a small sleeping bag like device that will keep a baby warm for 8 hours on a single 30 minute charge
- • Lowers rate of pre-mature infant deaths



# Examples of Social Entrepreneurs

- **MAGIC JOHNSON**

**NBA all-star Developed HIV at the height of his career forcing him to retire**

- • **Was an entrepreneur his whole life**
- • **Had a passion for DTLA after playing for the Lakers**
- • **Sees opportunity where others don't**





- **Began by opening a Movie theatre in DTLA(Downtown Los Angeles)**
- **Opened many more changing menu to fit demographic**
- **Opened over 105 Starbucks in locations other wise considered undesirable**
- **2 goals:**
  - **Improve community by employment as well as investment in things to do Make money**
  - **His company “Magic Johnson Enterprises” is now a billion dollar conglomerate**

# CHALLENGES OF SOCIAL ENTREPRENEURSHIP



- • **Financing**
- • **Attracting skilled workers**
- • **Legal constraints**
- • **Government**





# FINANCING

## How do we finance a Social Enterprise?

- • Bank loans
- • Government grants
- • Crowd funding
- • Venture philanthropist



# BANK LOANS



- • **Less challenging to get loans in developed countries, with strong banking institutions**
- • **Hard to convince bank of unusual business structure not entirely focused on bottom line, (higher risk) and can have trouble finding the resources they need to grow through traditional sources**
- • **Instead In Canada:**
  - • Institution much like a bank but only gives loans to social enterprises – “The social enterprise fund” (Alberta)
  - • “Dragons den style pitch, but for good”
  - • They are able to give out large and micro loans





# GOVERNMENT GRANT

- Can go to [Canadabusiness.com](http://Canadabusiness.com) you can see a list of grants given by government to Social entrepreneurs.

## Pros:

- • Do not have to pay Grants back
- • Get the government involved in your project

## Cons:

- • Difficult to get
- • Limited number offered
- • Might not get amount needed through grants alone
- • May not be grant for your specific business





# EXAMPLES OF GOVERNMENT GRANTS

- **Community Business development corporations- social enterprise loan**
- • **You could get a loan up to \$150,000 to start-up, renovate or grow your social enterprise in rural Atlantic Canada FedNor Innovation fund:**
- • **If your business is based in northern Ontario, you could receive funding towards the adoption and commercialization of new technologies IMPLIQ financing**
- • **This finance could help start or grow your business**





# CROWD FUNDING

- • This style of funding has gained huge popularity since the introduction of the internet.
- • Very popular style of funding amongst Social enterprises, as people like to feel their purchase is helping and are therefore more likely to spend

**KICKSTARTER**

# PROS OF CROWD FUNDING



- • **Gets your project/product exposed to the market**
- • **Good way to receive financing without interest or taking on additional debt**
- • **Good way to jumpstart sales for your product**
- • **Good way to attract the early movers (innovators)**





# CONS OF CROWD FUNDING

- • Margins: Kick starter takes 5% of sales and amazon usually takes 2% on top of that
- • The all or nothing system is a little confusing
- • Most successful projects are basically product sales



# VENTURE PHILANTHROPIST



- • Same as a Venture capitalist but with a focus on social improvement

## Three kinds:

- **Traditional:** High engagement grant making
- **Modern:** organizations funded by individuals, but all engagement is done by professional staff
- **Partnership model:** In which partner investors both donate the financial capital and engage with the grantees



# PROS AND CONS OF VENTURE PHILANTHROPY



## Pros:

- • Given expert advice
- • If involved will likely add more money if they see fit
- • More likely to take risks than a bank

## Cons:

- • They may take control
- • Have different vision for company





# BILL GATES

- • Known as the worlds biggest individual venture philanthropist
- • Has given 31.6 billion in grants since inception Projects he has funded, you may know:
  - • Khan academy
  - • Gates foundation
  - • Sewage disposal
  - • Advancing farming in Africa





# HOW BILL FOUND SMART PEOPLE

- **Used his money to:**
- **Setup challenges and competitions and put a large purse up for the person that finds the solution.**
- **This technique is effective at getting the sharpest minds to work on solutions to improve the world Does not give handouts, instead educates people on proper techniques to lead to stronger economies**

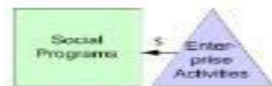


## HOW CAN THE FIELD ATTRACT TALENTED WORKERS?

- • **Attack big problems with limited resources**
- • **Must attract through offer of meaningful work**
- • **“Mass Recruiters” (Drayton)**
- • **Social sector lacks talent programs**



## . . . types . . .



- **External social enterprise**

Business activities are wholly distinct from organisation's social aim or mission. Often established to fund social services, activities and operating costs. Business activities are external to operations, but support the social programs through supplementary funding.



- **Integrated social enterprise**

Social aim or mission overlaps with business activities, and may include an overlap of costs and sharing of assets. Often established to create a funding mechanism in order to support the organisation's operation and social mission. Enterprise often enhances organisation's mission and enables it to achieve greater social impact.



- **Embedded social enterprise**

Social aim or mission is wholly entrenched in business activities of venture – mission and enterprise activities are the same, business activities are embedded within organisation's function and social program and is fundamentally central to mission.

*Social enterprise typology, Virtue Ventures – [www.virtueventures.com](http://www.virtueventures.com)*



## Boundaries of Social Entrepreneurship

- Distinction between social entrepreneurship and other non-entrepreneurial, mission-driven initiatives
- Do not extend to philanthropists, social activists, environmentalists, companies with foundations, socially responsible organizations
- Needed and valued but not social entrepreneurs





# Types of social entrepreneurship

- **1.The Leveraged Non-Profit:**
- This business model leverages resources in order to respond to social needs. Leveraged non-profits make innovative use of available funds, in order to impact a need. These leveraged non-profits are more traditional ways of dealing with issues, though are distinguished by their innovative approaches.
- The entrepreneur sets up a non-profit organization to drive the adoption of an innovation that addresses a market or government failure. In doing so, the entrepreneur engages a cross section of society, including private and public organizations, to drive forward the innovation through a multiplier effect. Leveraged non-profit ventures continuously depend on outside philanthropic funding, but their longer-term sustainability is often enhanced given that the partners have a vested interest in the continuation of the venture.



- **2. The Hybrid Non-Profit:**

- This organizational structure can take on a variety of forms, but is distinctive because the hybrid non-profit is willing to use profit to sustain its operations. Hybrid non-profits are often created to deal with government or market failures, as they generate revenue to sustain the operation outside of loans, grants, and other forms of traditional funding.
- The entrepreneur sets up a non-profit organization but the model includes some degree of cost-recovery through the sale of goods and services to a cross section of institutions, public and private, as well as to target population groups. Often, the entrepreneur sets up several legal entities to accommodate the earning of an income and the charitable expenditures in an optimal structure. To be able to sustain the transformation activities in full and address the needs of clients, who are often poor or marginalized from society, the entrepreneur must mobilize other sources of funding from the public and/or philanthropic sectors. Such funds can be in the form of grants or loans, and even quasi-equity.



- **3. The Social Business Venture:**

- These models are set up as businesses designed to create change through social means. Social business ventures evolved through a lack of funding—social entrepreneurs in this situation were forced to become for-profit ventures.
- The entrepreneur sets up a for-profit entity or business to provide a social or ecological product or service. While profits are ideally generated, the main aim is not to maximize financial returns for shareholders but to grow the social venture and reach more people in need. Wealth accumulation is not a priority and profits are reinvested in the enterprise to fund expansion. The entrepreneur of a social business venture seeks investors who are interested in combining financial and social returns on their investments.



# Examples of Social Enterprises

- **1. Aravind Eye Hospital & Aurolab**
- Social Entrepreneur: Dr. Govindappa Venkataswamy (Dr. V) & David Green
- Type of Organization: Trust
- Location: Madurai, India
- Website: [www.aravind.org](http://www.aravind.org)
- Mission: Making medical technology and health care services accessible, affordable and financially self-sustaining
- Founded in 1976 by Dr. G. Venkataswamy, Aravind Eye Care System today is the largest and most productive eye care facility in the world. From April 2007 to March 2008, about 2.4 million persons have received outpatient eye care and over 285,000 have undergone eye surgeries at the Aravind Eye Hospitals at Madurai, Theni, Tirunelveli, Coimbatore and Puducherry. Blending traditional hospitality with state-of-the-art ophthalmic care, Aravind offers comprehensive eye care in the most systematic way attracting patients from all around the world.



- **2. SKS India**
- Social Entrepreneur: Vikram Akula
- Type of Organization: For-profit
- Website: [www.sksindia.com](http://www.sksindia.com)
- Mission: Empowering the poor to become self-reliant through affordable loans
- SKS believes that access to basic financial services can significantly increase economic opportunities for poor families and in turn help improve their lives. Since inception, SKS has delivered a full portfolio of microfinance to the poor in India and we are proud of our current outreach. As a leader in technological innovation and operational excellence, SKS is excited about setting the course for the industry over the next five years and is striving to reach our goal of 15 million members by 2012.



- **3. AMUL (Anand Milk Union Limited)**
- Social Entrepreneur: Dr. Verghese Kurien
- Type of Organization: Co-operative
- Website: [www.amul.com](http://www.amul.com)
- Amul has been a sterling example of a co-operative organization's success in the long term. It is one of the best examples of co-operative achievement in the developing economy. The Amul Pattern has established itself as a uniquely appropriate model for rural development. Amul has spurred the White Revolution of India, which has made India the largest producer of milk and milk products in the world.



- **4. Grameen Bank**
- Social Entrepreneur: Muhammad Yunus
- Type of Organization: Body Corporate
- Website: [www.grameen-info.org](http://www.grameen-info.org)
- Grameen Bank (GB) has reversed conventional banking practice by removing the need for collateral and created a banking system based on mutual trust, accountability, participation and creativity. GB provides credit to the poorest of the poor in rural Bangladesh, without any collateral. At GB, credit is a cost effective weapon to fight poverty and it serves as a catalyst in the over all development of socio-economic conditions of the poor who have been kept outside the banking orbit on the ground that they are poor and hence not bankable. Professor Muhammad Yunus, the founder of “Grameen Bank” and its Managing Director, reasoned that if financial resources can be made available to the poor people on terms and conditions that are appropriate and reasonable, “these millions of small people with their millions of small pursuits can add up to create the biggest development wonder.”
- As of May 2009, it has 7.86 million borrowers, 97 percent of whom are women. With 2,556 branches, GB provides services in 84,388 villages, covering more than 100 percent of the total villages in Bangladesh.



- **5. Shri Mahila Griha Udyog Lijjat Papad**

- Type of Organization: Society
- Website: [www.lijjat.com](http://www.lijjat.com)
- Shri Mahila Griha Udyog Lijjat Papad is a Women's organization manufacturing various products from Papad, Khakhra, Appalam, Masala, Vadi, Gehu Atta, Bakery Products, Chapati, SASA Detergent Powder, SASA Detergent Cake (Tikia), SASA Nilam Detergent Powder, SASA Liquid Detergent. The organization is wide-spread, with its Central Office at Mumbai and its 67 Branches and 35 Divisions in different states all over India.
- The organization started off with a paltry sum of Rs.80 and has achieved sales of over Rs.300 crores with exports itself exceeding Rs.12 crores. Membership has also expanded from an initial number of 7 sisters from one building to over 40,000 sisters throughout India. The success of the organization stems from the efforts of its member sisters who have withstood several hardships with unshakable belief in 'the strength of a woman'.

THANK YOU



**KOSHYS**  
GROUP OF INSTITUTIONS

# ETHICS & ENTREPRENEURSHIP

## MODULE 6

**JAGADEESH BABU MK**



- **MODULE SIX: ETHICS AND ENTREPRENEURSHIP** **12 HOURS**
- Meaning and Need for business ethics, Arguments for and against Business ethics,
- Ethics and laws, establishing strategy for ethical responsibility, Approaches to managerial ethics, Ethics and Business decisions, Frame work for ethical decision making, CSR, Environmental awareness, Ethical leadership by entrepreneurs, Corporate citizenship.



## Mahatma Gandhi said :

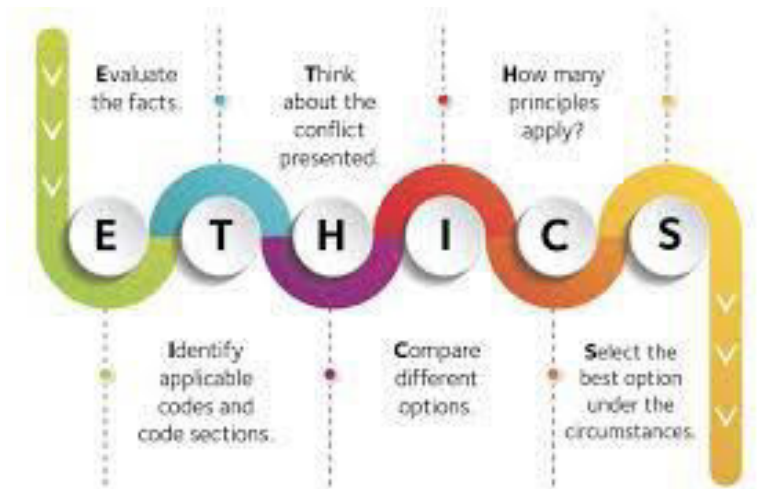
- That seven things will destroy us:
- Wealth Without Work
- Pleasure Without Conscience
- Knowledge Without Character
- Commerce (Business) Without Morality (Ethics)
- Science Without Humanity
- Religion Without Sacrifice
- Politics Without Principle

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<http://www.mkgandhi.org/mgmnt.htm>



# ETHICS

- Ethics refers to a system of moral principles, sense of right and wrong , goodness and badness in our actions and their motives and consequences.





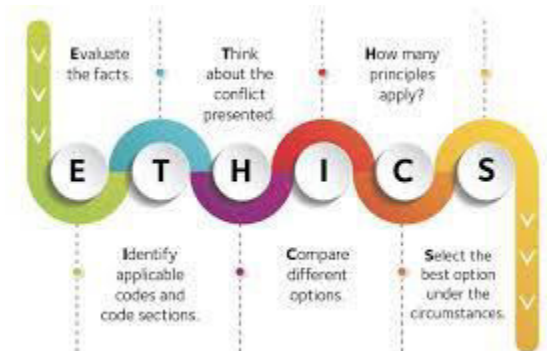
- The word of ethics is derived from the Greek word ETHOS
- Which refers to character , guiding beliefs , standards or ideals that pervade a group, community or people.





Ethics separate good and bad , right and wrong , fair and unfair, moral and immoral and proper and improper human action.

“According to Webster” Ethics is the discipline dealing with what is good and bad and with moral duty and obligations.

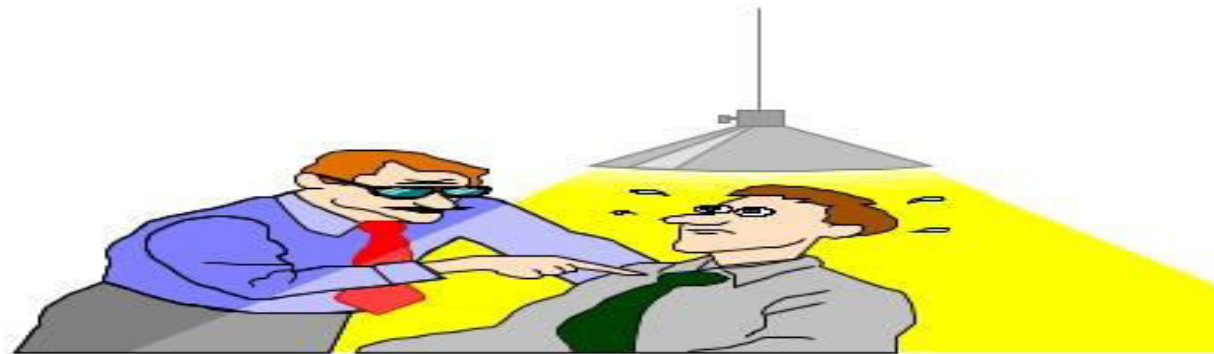




## The Importance of Ethics in Business

The study of Ethics paves the way for common ground in our understanding of the fundamental idea of what is good and what is bad in our human conduct.

Without Ethics, people, especially businessmen, will set their own moral standards, moral rules and moral principles.





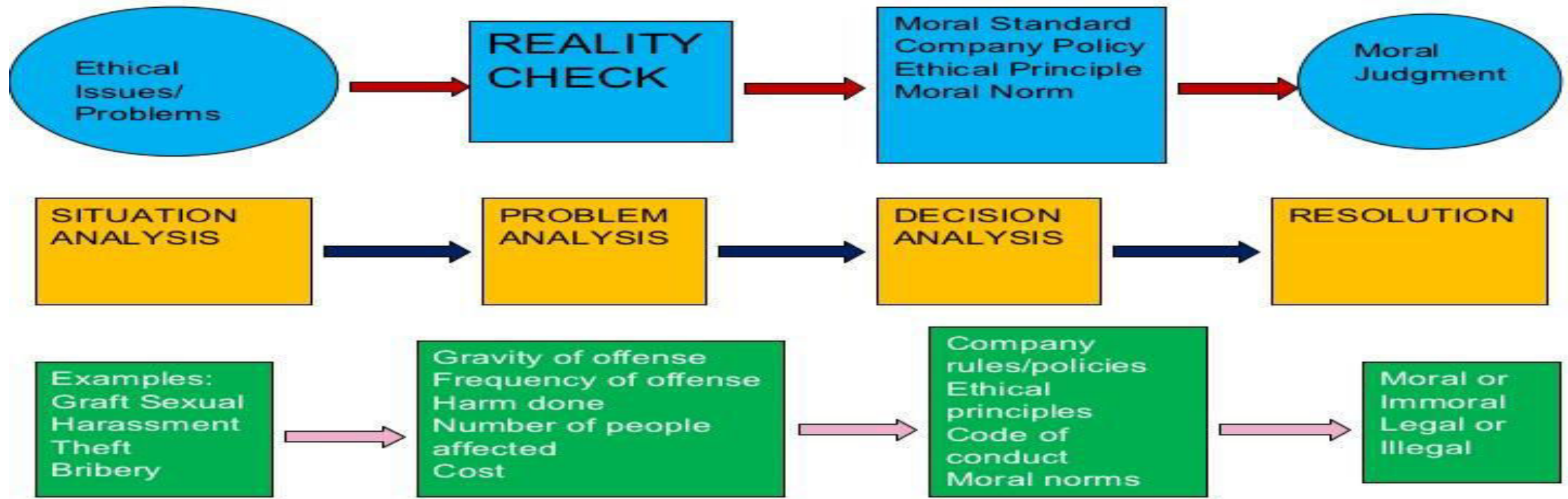
## What is Moral Reasoning?

Moral reasoning is a process in which ethical issues and problems are benchmarked against a moral standard so that a moral judgment is made possible.





**Fig. 1 Framework for Moral Reasoning**





## Responsibility of Managers

Since managers are tasked to solve problems in the organization and its activities, it is also the responsibility of managers to help in the resolution, if not, prevention of moral problems in business activities and the enterprise.





## Characteristics of a Good Moral Standard



- 1.** A good moral standard is one that looks at the issue as something very serious, e.g., *murder, graft and corruption, stealing*.
- 2.** A good standard must be grounded on good moral argument. A good argument is an argument that always tells the truth. A solid moral argument leaves no room for *loopholes* and *counterarguments*.





3. A good standard should be *objective* and *not subjective*. It should be *universally* accepted and should apply to all. What is good for one person should be at the same time good for everybody.
4. A good standard, when violated, brings about *feelings of guilt, shame, and remorse of conscience*.





## **The Morality of Good Moral Judgment**

### *1. Why people go into business?*

People go into business for a numbers of reasons like, *personal satisfaction, to earn a livelihood, to serve the society through the goods and services they offer to the customers*, but the most common, if not, the most dominant motive why people go into business is *to make a profit*.

### *2. How do businessmen viewed profit through their eyes?*

**Businessmen consider profit as a form of anticipated reward or a compensation for the efforts they spend, skills they apply, and returns for the capital they invested in organizing the business.**



**Milton Friedman**, a *noted economist*, says that the “ **only responsibility of business is to make profit so long as it stays within the rules of the game, which is to say, engage in open and free competition without deception or fraud.**”

**Peter Drucker**, a *famous management guru*, on the other hand, disagrees with this view by saying, that the **enterprise is an organ of the society and therefore, its actions and decisions have a great impact on society and people.”**





# ETHICAL PRINCIPLES IN BUSINESS

- Do not deceive or cheat customers by selling defective products, or charging wrong prices.
- Ensure sincerity and accuracy in product branding with no false information
- Don't resort to hoarding, blank marketing or profiteering
- Don't destroy or distort competition





- Don't tarnish the image of competitors by unfair practices
- Make accurate business records available to all unauthorized persons
- Ensure payments of fair wages to and fair treatment of employees
- Refrain from payoffs to suppliers , politicians etc.
- Don't form cartel agreements to control price and supply
- Pay taxes and discharge social responsibility



# BUSINESS ETHICS



- BE refers to the application of ethics to business
- It is the study of good and evil , right and wrong and just and unjust actions of businessmen.
- A set of moral standards which people owning and managing business is expected to follow.





## Business Ethics/Corporate Ethics

- **Business Ethics** (also known as **Corporate Ethics**) is a form of **applied ethics** or **professional ethics** that examines ethical principles and moral or ethical problems that arise in a business environment
- Business ethics has both **normative and descriptive** dimensions. As a corporate practice and a career specialization, the field is primarily normative. Academics attempting to understand business behavior employ descriptive methods.
- The range and quantity of business ethical issues reflects the interaction of profit-maximizing behavior with non-economic concerns. Interest in business ethics accelerated dramatically during the 1980s and 1990s, both within major corporations and within academia.



## Ethical Issues in Business

- Adulteration in edible items
- Product Safety/ Unequal Standards
- Product storage and logistics irresponsibility
- Customers as quantity of consumption
- Surrogate Advertising/ Treacherous Campaigns
- Finished accountability after selling the product.
- Less expenditure on social causes/wellbeing
- Environmental issues



## Major branches



- Meta-Ethics, about the theoretical meaning and reference of moral propositions and how their truth-values (if any) may be determined;
- Normative Ethics, about the practical means of determining a moral course of action.
- Applied Ethics, about how moral outcomes can be achieved in specific situations.
- Moral Psychology, about how moral capacity or moral agency develops and what its nature is.
- Descriptive Ethics, about what moral values people actually abide by.



## Inventory of ethical Issues in Business

- Employee – Employer Relations
- Employee –Employee Relations
- Company- Customer Relations
- Company-Shareholder Relations
- Company- Community /Public Relations



## Why talk about Business Ethics?

- For last decade there are evidences that the frequency related to business ethics violation increased
- Recently food adulteration in National Capital region and around came into limelight
- Corporate, Governance, Service Sector Govt. machinery
- Due to professional lapses, incidences frequently take shaping and now a frequent phenomena in India



## Can we consider?

- **“We Will Not lie, Steal or Cheat,  
No Tolerate Among Us Anyone Who  
Does”**
- **Which do you think is the tougher  
part**
- **Line 1 or Line 2 ? And Why?**



## **Ethics, Economics & Law**

- Ethical etiquette is personal but larger in implications.
- Ethics pays in economic transactions and strengthens the mutual relations than anything in business expansion.
- Law is a watchdog, can check when it sniffs and affect the repercussions not the ethics straight.



## **Business, Society & Ethics**

- It is society that makes the business sustain, business is a tool to increase the frequency of economic activities, not to rule, control or govern the society.
- Exchange based society continued for long in the past with minimum conflicts than modern business.
- Physical form of business has less likelihood to incur crisis related to business than abstract form of business.



# Elements of Business Ethics

- Commitment of Top Management
- Publication of CODE OF ETHICS
- Establishment of compliance mechanism
- Involving employees at all levels
- Measuring Results





# Nature of Business Ethics

1. Ethical value: Business ethics is concerned with morality in business . In today's world , business community forms a large part of the society and its actions are bound to have a direct impact on the well being and welfare of the society .

Therefore, it is necessary that business community conducts its activities with self check , self control, self sacrifices, keeping always in mind the interest of community at large.





- 2.Relative Term: Ethics is a relative term, i.e the concept of morality and immorality differs from one individual to other or society .

What is moral in one society may immoral in other.

EX: Taking or giving bribe is considered as unethical in our society but may be a routine affair or just ignored by society in some other countries.





- Analytical in Nature: Its purpose is to analyze things as they are. The nature of study is known as positive study. It is both normative and positive science.
- Diagnostic Nature: After examining the various aspects of business dealings, operations and management techniques, it is possible to know the ethical or non ethical pathology of the business.









- Provide frameworks: Like an individual , business is also bound by social rules and regulations . Business is expected to confine its activities within the limits of social, legal , cultural, economic environment.





# NEED OF BUSINESS ETHICS

1. Protection of consumer Rights
2. Social responsibility
3. Concept of socialism
4. Interest of industry
5. Consumer movement
6. Better relations with the society
7. Buyers market
8. Beneficial to business and society





- Protection of consumer Rights: consumer is the center of all business activities . In fact business is essentially meant for satisfaction of consumer wants. Unfortunately , consumers are the most neglected and exploited group.

the application of BE will help to confer and implement consumer rights.

Business ethics can be used to check malpractices like adulteration, unfair trade practices and to make the working of business consumer orientation.





Social responsibility: BE is a means of making business socially responsible for its actions.

Exploitation of consumers, employees, discriminate use of natural resources etc. is quite common in all types of business .

Compliance to ethical standards will ensure:

1. Protection of consumer rights,
2. Public accountability
3. Protection of workers interest
4. Proper utilization of natural resources.





- Buyers market: There has been a structural change in the concept of business. The concept of profit has been gradually taken over by consumer satisfaction. The large scale production and increased competition, in the market has changed the business scene from sellers market to a buyers market.

BE is needed to redefine the traditional concept of profit and replace it by a balance between profit and consumer satisfaction.





- Concept of socialism: The concept of socialism in business states that gains of a business must be shared by all and just by the owner of business. Profit is also a result of group efforts,

Employees, share holders , consumers, suppliers and others contributes to the success of the business.

Therefore, success should be shared by all concern.





Interest of industry: Business ethics are necessary to safeguard the interest of small scale business firms. The tendency of big business firms is always to dominate the market and drive away the small scale industries out of the market.

Small scale units can establish their position and fight for their rights if the industry follows a code of ethics.





- Consumer movement: the growth in consumer movement is also another important factor that has necessitated the need for business ethics. The spread of education and awareness among consumers about their rights has made the business community to conduct business on ethical principles.
- Better relations with the society: BE is needed to develop good relations between business and society.

The relationship of business with society has various dimensions such as its relations with shareholders , employees , consumers, distributors , competitors and government.

BE will help to promote and protect the interest to various group.



- Beneficial to business and society: Ethics suggests what is good and bad, right and wrong, ethical and unethical etc.

It also brings an element of honesty , sincerity , fairness and human touch to business activities.

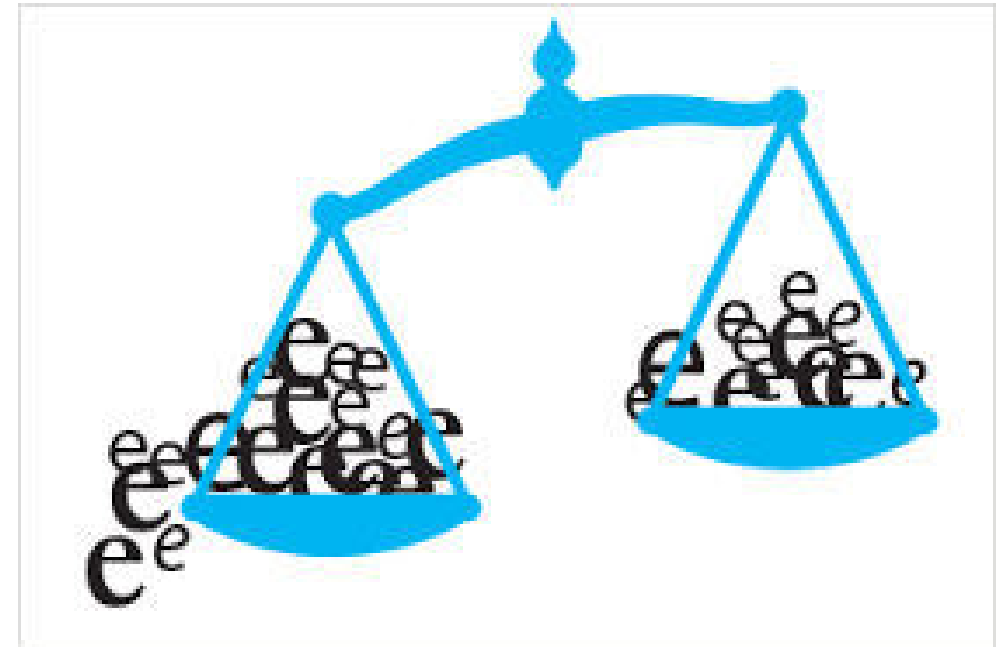
Society is also benefited by the introduction of business ethics. It ensure healthy and competitive business atmosphere, consumer and labour welfare, and improvement in society , economic and cultural values of the society.





# Factors influencing Business ethics:

- 1. Value forming institution
- 2. Organizational goals
- 3. work and career
- 4. superiors
- 5. Peers and colleagues
- 6. professional codes.

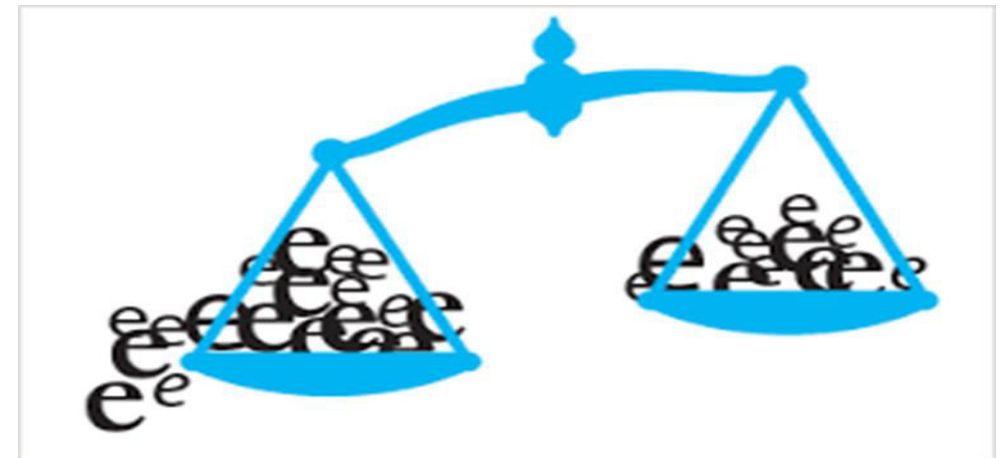




# Ethics and Entrepreneurship

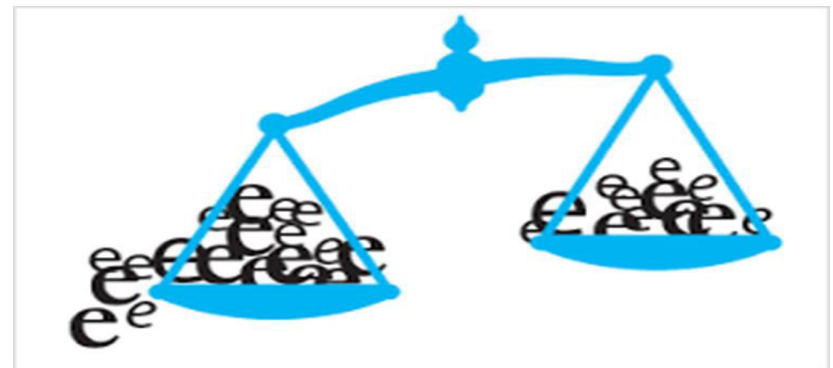
Ethics and Laws: Ethics is the code of moral principles and values that govern the behavior of a person or group with respect to what is right or wrong.

These principles are based cultural , religious and philosophical beliefs held by us all .





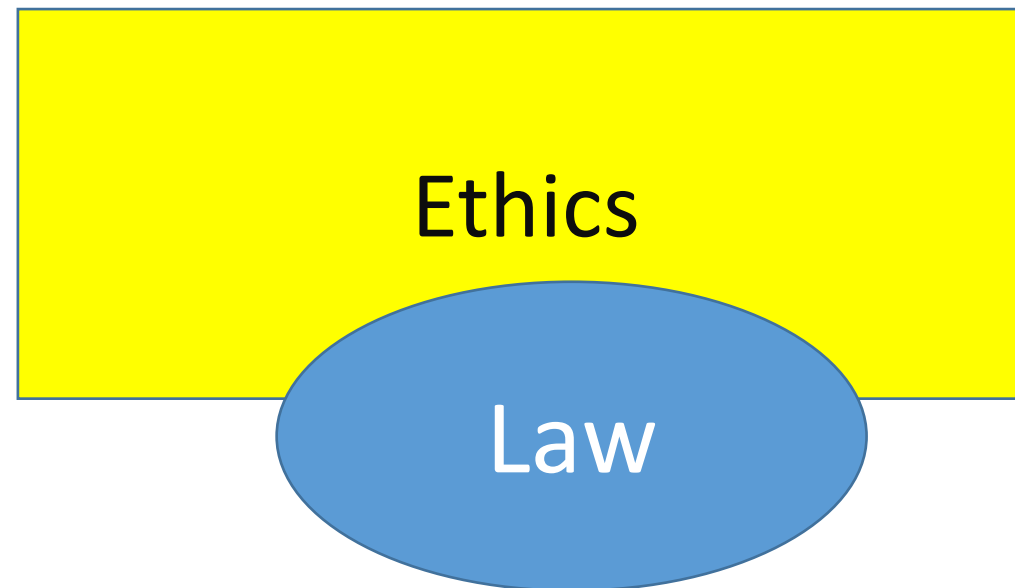
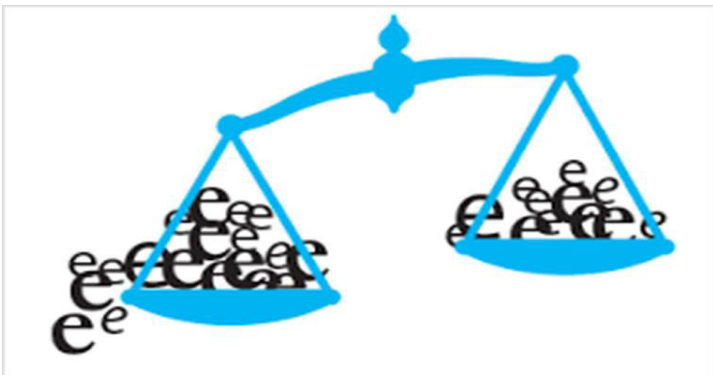
- They come from our family , friends , school, religion, work, and the media people view and read. These derived ethics values sets standards as to what is good or bad in our conduct and decision making
- Entrepreneurs and managers of small business particularly have difficulty in maintaining ethical behavior within their organizations.





# Relationship between law and Ethics

- Laws are rules and principles developed through ethics and apply in situation involving morality.
- Ethics cover a wider scope when compared to law because law only regulates particular aspects of ethics.





**When the situation  
needs improvement,  
Gandhi offers  
guidance: “You must  
be the change you  
wish to see in the  
world.”**





## UNIVERSAL VALUES : GANDHIAN ETHICS





## Gandhian Approach

- He believed a business could and should be conducted with complete honesty.
- Indeed, a business that was run honestly would be more successful than one which was not.
- In business as well as personal life he subscribed to the view : "Honesty is the best policy." A business person had every right to earn a livelihood from their business, although if vast income was earned from the business, the business person should give what he or she did not need to the community.



## Trusteeship



- In his theory of trusteeship, Gandhi perceived business as a form of service to the community.
- Gandhian approach to business ethics relate to today as much as to his lifetime.
- Gandhian thought need to go undergo interpretation because of development the business has undergone during last 50 years.



## Gandhi and business ethics

- Business is a way to foster neighborliness, to bring members of a community together and a means by which people can love and serve one another.
- Dr. Stephen Kovey one of world's leading management consultants and author of the best selling book "The Seven habits of Highly Effective People" says in his book:



- **Examples:** Some conflicts of interest may be legal , but they are generally considered unethical in our society and are commonly prohibited in codes of ethics.
- Having an affair with someone who reports , to an individual may be legal , but it is considered unethical in most corporate contexts.



# Ethical leadership by Entrepreneurs



- A leader has the unique opportunity to display honesty , integrity , and ethics in all key decisions.
- The leaders behavior serves as a model for all other employees to follow. The research on entrepreneurial ethics has been evolving .
- Entrepreneurial owners possess a strong potential to establish high ethical standards for all business decisions.





- As the principle of ethics and social responsibility is more widely recognized, companies can use code of ethics and their corporate culture to govern behavior, thereby eliminating the need for additional laws and avoiding the problems of unfettered choice.





- Ethical standards are not codified, disagreements and dilemmas about proper behavior often occur. An ethical dilemma arises in situations when alternative choice or behavior is undesirable because of potentially negative ethical consequences .
- Right or wrong cannot always be clearly identified.

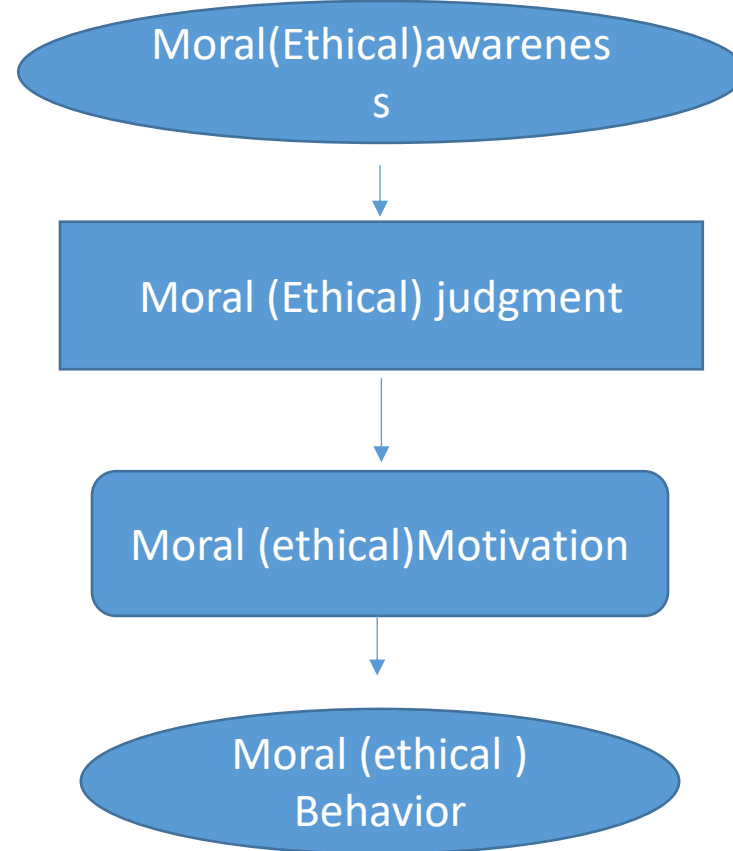




- Values conflict arises in situation like: Lying is wrong but what if one lies to protect a loved one?
- Stealing is wrong : But what if one steals to feed a starving person?
- Killing is wrong : But what if one killed in self-defense , defending a family member, or in a war?



# Process of Ethical Decision making





- Moral(Ethical)awareness: Moral awareness refers to an individuals ability to recognize that a situation contain a moral issue .
- Recognizing a moral issue requires the individuals awareness that his/her actions have the potential to harm or benefit other people.





- Moral (Ethical) judgement: Moral judgement involves making a judgement about which course of action is morally right or fair, thus choosing one possible line of action as what one ought to do in that situation .
- In this phase , the situation is already interpreted and the needs and welfare of different participation should be considered.





- Moral (ethical) motivation: One ought to give priority to moral values above other personal values such that an intention to do what is morally right is formed. The third component is called moral motivation in the sense that values motivate individuals to achieve goals their behavior.
- It has been maintained that the motivation to behave morally must be an intentional , conscious process.





- Moral ( Ethical) Behavior: To be ethical, our intention to do the ethical thing must be followed by our really doing it. Thus, individual who despite the negative pull exerted by rules, have recognized an ethical issue, decided on an ethical response, and resolved to act on it, still need to contend with pressures and other obstacles that interfere with actually implementing their decision.



# Social Responsibility



- It can be defined as the obligation of the business to take those decision and perform those actions which are considered desirable in respect of objectives and values of our society.



# Types of social responsibility



- **Economic social Responsibility**: Production of goods and services as per demands and earn profits.
- Genuine profits





- Legal Social Responsibility:

- Follow the laws of the land
- Paying taxes





- Discretionary social responsibility :
- Obligations assumed by enterprise voluntarily

Ex: Donations





- Ethical social responsibility:

- Behavior expected from firm but not defined in law

Ex: Respecting employees

fair salary



# Social responsibility towards



- Towards Share holders (or )owners :

Providing fair rate of return

Provide regular, accurate and full information about business

Providing information regarding future plans







- Towards Consumer :

Good quality product at reasonable costs

Not to follow unfair trade practices

Ensure regular supply of goods





# Towards workers:

- Provide wealthy working conditions
- Providing opportunities to workers for meaningful work
- Providing fair wages & fair deals
- Providing incentives





## Towards Government:

- Respect the law
- Not to create pollution
- To pay tax regularly
- To behave as good citizen



# Corporate social responsibility (CSR)



CSR: is a form of corporate self regulation integrated into a business model. Ideally , CSR policy would function as a built in, self regulating mechanism whereby business would monitor and ensure its support to law, ethical standards and international norms.

Social responsibility of business is an ethical concept involving nations of human welfare and improving the quality of life in society.



# Corporate social responsibility



# Nature of corporate social responsibility



- **1. Positive Approach:** CSR is a positive business driven response to the business environment of today. CSR is not an add on for business . It is increasingly being integrated into business operations, governance, management systems and thinking.
- It must therefor be seen with in the context of the totality of a business today.



- Multi dimensional concept: CSR is a multi dimensional concept covering social, economic and environmental concerns and is continually evolving within the diversity of the market.
- This diversity of the market place makes innovation a critical aspect in the development and implementation of the varied CSR initiatives.

# Environmental Awareness



# What do we mean by 'Environmental Awareness'?



Highlight environmentally friendly working practices, relating to

- Waste
- Energy
- Transport
- Water issues





- Climate change
- [?] Ecological footprint
- [?] Carbon management
- [?] Sustainable development
- [?] The three strands of sustainable development



## Climate change

- Climate change is a significant and lasting change weather patterns over long periods.





## Ecological Footprint

- Ecological footprint is a measure of human demand on the Earth's resources
- Amount of natural resources required to sustain our consumption and deal with our waste





## Carbon Management

- The process of managing an individual or organisation's emissions of greenhouse gases
- CO<sub>2</sub> reduction





## Sustainable development

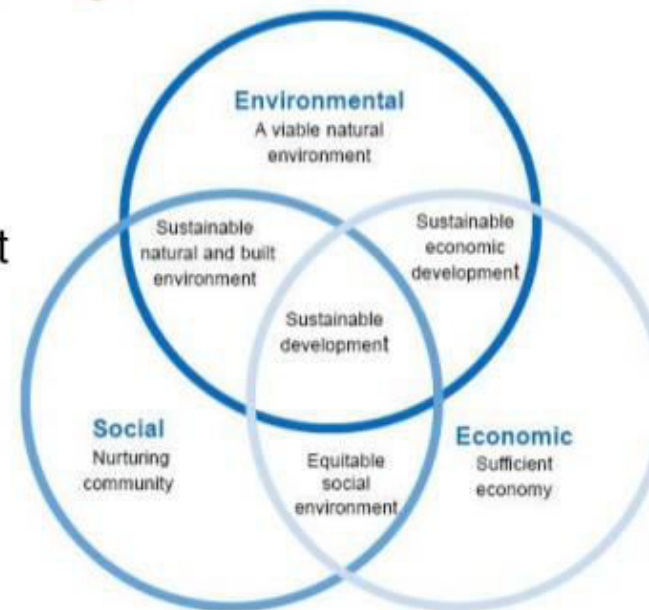
- Development that meets the needs of the present without compromising the ability of future generations to meet their own needs





## Three Strands of Sustainability

- Economic,
- Social
- Environment



# Impacts of Environmental change



## Key features of an Ecological Footprint

- ◦ Average footprint
- ◦ Developed world resource use
- ◦ Developing world resource use
- ◦ Need for food, transport, energy use, agriculture, deforestation
- ◦ Population growth
- ◦ Speed in which it takes to regenerate
- what we use in a year



## Impacts of Environmental change

- Major Impacts:
  - Global warming
  - Sea level rise
  - Ocean acidification
  - Health
  - Temperature rise
  - Extreme weather even
  - Deforestation
  - Ecosystem strain
  - Loss of biodiversity





## Global Warming

- The main cause of global warming is the emission of 'greenhouse gases' such as carbon dioxide, methane and nitrous oxide.
- Human activity over the past 250 years, including the burning of fossil fuels, change of land use and agriculture, has increased the concentration of greenhouse gases in the earth's atmosphere.
- As these gases build up in the atmosphere they strengthen what is known as the 'greenhouse effect'.



## Commonly used resources

- **Renewable**

- **Can be replenished through biological or natural processes**
- Solar
- Wind
- Tides
- Hydro power
- Biomass (plants, trees etc, when harvested sustainably)
- Food stuffs

- **Non-renewable**

- **Cannot be grown, replenished in the same rate it is consumed**
- Fossil fuels
  - Coal
  - Gas
  - Oil (fuel, petrol etc)
- Radioactive fuel
- Metals





## Links between resource efficiency and climate change

- Emissions of greenhouse gases from manufacturing, agriculture, transport, forestry, aviation, shipping
- Embodied energy
  - Total sum of energy to produce
- Emissions from
  - waste
  - transport
  - energy use
- Transfer of greenhouse gases from one part of a cycle to another e.g. hybrid cars reduce fuel consumption but use inefficient coal fired power stations to charge batteries





## Business Reasons for Resource Efficiency

- Regulation and legislation
- Reputation
- Cost reduction
- Staff retention
- Profitability
- Development of industrial capability
- Standard of living in less developed countries





## Reduce, Reuse, Recycle



In order to minimise the impact of waste products on the environment there are actions that we can take by reducing what we use, reusing products and recycling waste.

In groups complete the 'waste hierarchy' activity and then feedback your answers to the other groups



## Waste Hierarchy Activity

### The Waste Hierarchy

Preferred Environmental Option



Least preferred Environmental Option



## Waste Types

- Hazardous
  - Waste which may contain hazardous substances, may cause harm to the environment or react with other materials
- Non-Hazardous
  - Soils, builder materials, sludge, inert materials
- Clinical/Biological
  - Sharps, infected material, some hospital waste, waste from surgeries hospitals and clinics, infectious organisms, absorbent materials, human and animal tissue
- Inert and Active
  - Building waste such as rubble, bricks, stone (Inert) and wood, old window frames, guttering, pipework, downspouts and other building related matter (Active)



## Ways to reduce....

- Boil only water you need
- Buy only what you need
- Buy things with less packaging
- Cook food for only those eating
- Switch off lights, monitors, appliances
- Print on both sides of paper
- Flush toilet only when needed
- Solar power
- Insulation in homes
- Service vehicles and equip regularly
- Use public transport
- Walk...



## Ways to reuse....

- New ways of using materials
- Reuse wrapping, boxes, plastic bags
- 'Bag for life'
- Repair rather than dispose
- Composting (paper, wood, food)
- Chip fat from local chip shop used as diesel
- Sell unwanted items
- Re-use coffee cups
- Print on both sides
- Rechargeable batteries
- Grey water harvesting
- Rain water harvesting



## Recyclable Resources

- Plastics
- Tins, aluminium, steel
- Paper
- Glass
- Cardboard
- Tetrapak
- Clothing
- Electronic equipment
- Mobile phones
- Spectacles
- Tyres
- Ink cartridges
- Some building materials



## Recycling materials into.....

### Paper

- More paper, depending on quality – 7 times

### Cardboard

- Paper, jiffy bags, loft insulation, car bodies, packaging, animal bedding, coffins

### Cans

- New cans, car and aviation , bike frames, train tracks, pipes. Never loses quality

### Plastics

- new bottles, car parts, bins, home composters . It can also be used to make clothing such as fleece jackets and hats or fibre filling for sleeping bags and duvets. Plastic milk bottles are used in street and garden furniture

### Glass

- Reused where possible (brown, clear) or crushed and turned into fine sand to be used as building sand, if processed further can be used as floor and wall insulation and lightweight construction aggregate.

### Tyres

- Surfaces for playgrounds, shock absorption, car parts, retreads, fuel, mulch for landscaping, 3G sports pitches



- Ethical Leadership

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Without denying the importance of good character and the right values, the reality of ethical leadership is far more complex.



- Ethical Leadership

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Ethical Leaders see their constituents as not just followers, but rather as stakeholders striving to achieve that same common purpose...



- Stakeholders all





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- Stakeholders all





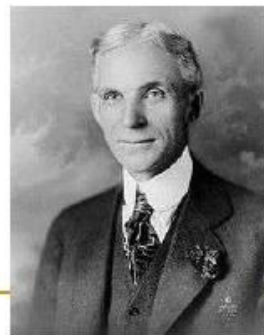
- Ethical Leadership

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It is important for leaders to tell a compelling and morally rich story, but ethical leaders must also embody and live the story.



'Leadership is  
all about courage  
to dream big'





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- Ethical Leadership and Reward

- It is perfectly all right to ask if there is a reward for being good, but this has nothing to do with *whether* one should be good. It makes no sense to try convince people that they should be good by pointing to the rewards that may follow. One should be good because “good” is, by definition, that which one should be.
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- **Ethical Leadership and Risk**

- As for motivation, good behavior often brings a reward, but not every time. Think about it. If it were always in one's interest to be good, there would be no need for ethics. We could simply act selfishly and forget about obligation. People invented ethics precisely because it does not always coincide with self interest.
  - A man does what he must.. in spite of personal consequences, in spite of obstacles and dangers, and pressures.. and that is the basis of all human morality.
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## **Realizing corporate citizenship**

- **Good governance**
- **Stakeholder management**
- **Political and social awareness**
- **Responsible supply chain management**
- **Human rights**
- **Business ethics**
- **Pollution prevention**
- **Product stewardship and clean technology**



## **Institutionalizing corporate citizenship – individual level**

- **Provide training on citizenship issues, tailored to employees' needs in the work and management environment**
- **Use action learning techniques that allow for shared experience and reflection on learning**
- **Develop recruitment procedures to build and enhance in-house knowledge and competence of citizenship concerns**
- **Expand performance targets, targets, rewards and incentives beyond traditional markers of achievement**



## **Institutionalizing corporate citizenship – firm level**

- **Encourage empowerment of the individual through participatory decision making**
- **Generate a clear vision for company with well-articulated underlying values. Invite comments and communicate responses to encourage commitment and loyalty**
- **Share information across organizational levels to create trust and remove hierarchical barriers**
- **Use teams and work across functions, to share ideas and stimulate creativity**



## **Institutionalizing corporate citizenship – inter-firm level**

- **Engage with industry associations to debate the issues and develop appropriate codes and standards**
- **Participate in business forums that raise awareness, educate and provide training in the area of corporate citizenship**
- **Contribute to cross-sector citizenship initiatives that involve civil society groups and government**
- **Work along supply chain with contractors and suppliers to develop and change practices**



## **Developing Performance Indicators – Social Audit**

- ✓ **Comparing data with organization's social policies and standards**
- ✓ **Data checking of the cost of social programs and relating data to budgets, available resources, company objectives, etc.**
- ✓ **Information and response monitoring to external groups which makes demands on the organization**
- ✓ **Process audit of the business to evaluate satisfaction level of various in-process stakeholders**



## **Trusteeship**

### **Indian concept of corporate citizenship**

**“ The money he had already accumulated was not his, that he was only a channel and that his duty was to do good to the world and that God had given him all his wealth in order that he might have opportunity to help and do good to people.”**

**Without looking at Rockefeller, Swami Vivekananda told him when he came to meet him in America**

**(Source: Indian Ethos for Management- Swami Jitatmananda, pg.146)**



‘The right way is not always the popular and easy way. Standing for right when it is unpopular is a true test of moral character.’

- **Margaret Chase Smith**, first woman elected to both houses of the U.S. Congress

THANK YOU